

Nanopac Innovation Limited

ARBN 169 020 580

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 December 2015

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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 Board and Risk

The Board 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 Board in fulfilling its responsibilities to shareholders 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 Limited

ARBN 169 020 580

DIRECTOR'S REPORT

Your directors present their report on the Company for the financial period ended 31 December 2015

Directors

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

Dr. Cheng K Leong

Tang Tung Ken

Dr Cheng has been in office since 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 Mr Andrew David Bristow .

Principle Activities

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

Our business model and objectives

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

It is also the Company's objectives to explore and seek new synergistic partners that could help the Company progress faster and better in terms of new business penetration or new technologies to enhance the profitability of the overall Company's performance financially.

Operating Results

The Company incurred a net operating profit US\$103,527 for the period ending 31 December 2015.

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 has been engaged in its principal activities as well as the development of the Nano Solar Factory for the development of solar panels. This initiative has been delayed due to large currency fluctuations in Malaysia in the 3rd Quarter of 2015 and resulted 30% increases in the cost of raw materials. Construction is expected to be completed in the 1st quarter of 2017 or 2nd quarter of 2017.

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

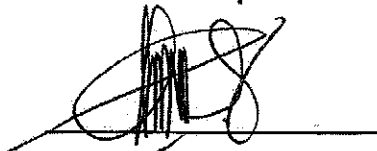
The Company will pursue its investment objectives for the long-term benefit of members. This will require the continued review of the investment strategy that is in place and may from time to time require some changes to that strategy.

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 5 April 2016

A handwritten signature in black ink, appearing to be 'Cheng Kok Leong', written over a horizontal line.

Cheng Kok Leong

Chairman

DIRECTORS' REPORT

Information on Directors

DATO DR CHENG KOK LEONG

Chairman.

Board member from 7 March 2014 to date.

Qualification and Experience

Cheng Kok Leong is the founder of Nanopac Malaysia Sdn Bhd. He is currently the chief executive officer. Mr Cheng is a technopreneur and has more than 19 year's experience in starting up and managing companies. Nanopac established the first Nanotechnology Product manufacturing plant in Malaysia. It was granted Pioneer Company status in 2004 and was recognised as one of Malaysia's fastest growing companies. Mr Cheng was previously CEO and co-founder of DAG Autosonic Sdn Bhd and Digi Sun Technologies Sdn Bhd.

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

TANG TUNG KEN

Executive Director - CEO

Board member from 7 March 2014 to date.

Qualification and Experience

Tan Tung Ken was educated at SMK (L) Bukit Bintang School,

Kuala Lumpur, Malaysia and passed Malaysian Certificate of Education, after which he pursued his education in business Administration at the Asia Pacific Institute of Information Technology and obtained his Higher Diploma.

Prior to joining Nanopac he was attached to UFG SEA SDN BHD as co-founder. That company's main activities are involved in trading and investment. He is person with ability to learn, is hardworking and has good interpersonal skills.

With good knowledge and experience in production and factory operations he is currently over-seeing the production and factory operations of Nanopac.

Interest in Shares and Options

Nil

Special Responsibilities

Nil

Directorships held in other listed Entities

Nil

Unit A-6-2, Wisma Yoon Cheng, No. 726, Batu 4½,
Jalan Ipoh, 51200 Kuala Lumpur.

Tel : 03-6257 1423 , 03-6257 9902

Fax : 03-6257 0523

Email : associatesck@yahoo.com

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NANOPAC INNOVATION LIMITED

Report on the Financial Statements

We have audited the annexed consolidated financial statements of **NANOPAC INNOVATION LIMITED, and its subsidiary companies**, which comprise the consolidated statement of financial position of the Group as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended and a summary of significant accounting policies and other explanatory information, as set out on pages 1 to 17.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Accounting and Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are in appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unit A-6-2, Wisma Yoon Cheng, No. 726, Batu 4½,
Jalan Ipoh, 51200 Kuala Lumpur.

Tel : 03-6257 1423 , 03-6257 9902
Fax : 03-6257 0523
Email : associatesck@yahoo.com

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NANOPAC INNOVATION LIMITED**

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

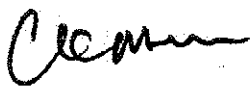
Report on Other Legal and Regulatory Requirements

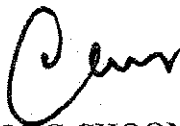
In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- a) In our opinion, the accounting and other records and the registers required to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and auditors' report of all the subsidiaries of which we have not acted as auditors.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations as required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia, and for no other purpose. We do not assume responsibility to any other person for the content of this report.


CK & ASSOCIATES
AF: 1598
Chartered Accountants
Kuala Lumpur
05 April 2016


CHONG CHOONG KONG
No: 2226/01/18 (J)
Partner

CK & ASSOCIATES
AF: 1598

NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	Note	USD 2015	USD 2014
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	2,483,032	1,413,340
Intangible assets	7	6,234	7,834
		2,489,266	1,421,174
CURRENT ASSETS			
Stock in trade	8	79,683	12,315
Trade receivables	9	4,238,207	1,952,102
Deposits and other receivables	10	62,536	5,853
Cash and bank balances	11	909,988	1,134,182
		5,290,414	3,104,452
TOTAL ASSETS		7,779,680	4,525,626
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	12	14,000,001	14,000,001
Issued, subscribed and paid up capital	12	3,250,993	700,000
Consolidated retained earnings	13	3,195,474	3,089,728
Shareholder's equity		6,446,467	3,789,728
CURRENT LIABILITIES			
Trade payables	14	80,423	115,827
Term loan		388,873	36,040
Due to subsidiary		86,362	-
HP creditors		-	-
Accruals and deposits received		682,844	554,777
Amount due to a director		94,710	29,254
		1,333,213	735,898
CONTINGENCIES AND COMMITMENTS	15	-	-
TOTAL EQUITY AND LIABILITIES		7,779,680	4,525,626

The annexed notes from 1 to 24 form an integral part of these financial statements.


DIRECTOR
CHENG KOK LEONG


DIRECTOR
TANG TUNG KEN

NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	USD 2015	USD 2014
Revenue	16	4,502,685	1,580,337
Cost of sales		<u>(3,820,383)</u>	<u>(810,628)</u>
Gross profit		682,302	769,709
Administrative expenses		<u>(402,932)</u>	<u>(196,867)</u>
Selling and marketing expenses		<u>(11,373)</u>	<u>(17,456)</u>
Other operating expenses		<u>(163,502)</u>	<u>(289,960)</u>
		<u>(577,806)</u>	<u>(504,283)</u>
Operating profit		104,496	265,426
Other operating income		6	-
Bargain purchase gain on acquisition of subsidiary	19	-	2,763,848
Finance costs		<u>(975)</u>	<u>(1,260)</u>
Profit before tax		103,527	3,028,014
Taxation	17	-	-
PROFIT AFTER TAX		<u>103,527</u>	<u>3,028,014</u>
Earnings per share basic and diluted - attributable to the Shareholder of parent company	18	<u>0.002</u>	<u>0.08</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

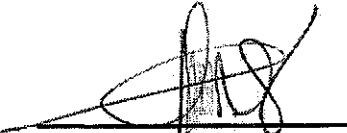

 DIRECTOR
 CHENG KOK LEONG



 DIRECTOR
 TANG TUNG KEN

NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	USD 2015	USD 2014
Profit for the year		103,527	3,028,014
<i>Other comprehensive income</i>			
<i>Items that may not be reclassified subsequently to profit or loss account:</i>			
Exchange Gain/(Loss) on translating foreign operations		2,219	61,714
Income tax relating to items that may be reclassified	17	-	-
		<u>2,219</u>	<u>61,714</u>
		<u>105,746</u>	<u>3,089,728</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.



 DIRECTOR
 CHENG KOK LEONG



 DIRECTOR
 TANG TUNG KEN

NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital		Reserves			Total equity and reserves
	Ordinary	Convertible	Foreign currency translation reserve	Consolidated retained earnings	Total reserves	
USD						
Shares issued during the period	500,000	200,000	-	-	-	700,000
Profit for the period ended December 31, 2015	-	-	-	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
Shares issued during the period	-	2,550,993	-	-	-	2,550,993
Profit for the period ended December 31, 2015	-	-	-	103,527	103,527	103,527
Other comprehensive income	-	-	2,219	-	2,219	2,219
Balance as at December 31, 2015	500,000	2,750,993	63,933	3,131,541	3,195,474	6,446,467

The annexed notes from 1 to 24 form an integral part of these financial statements.


 DIRECTOR
CHENG KOK LEONG

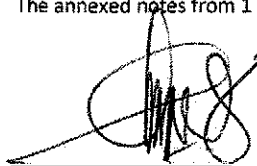

 DIRECTOR
TANG TUNG KEN

CK & ASSOCIATES
 AF : 1598

NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

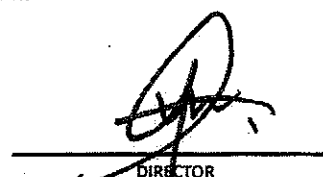
	USD 2015	USD 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	103,527	3,028,014
Adjustments for:		
- Bargain purchase gain on acquisition of subsidiary	-	(2,763,848)
- Exchange difference on translation of foreign operations	2,219	61,714
- Financial charges	975	1,260
- Depreciation	282,668	249,413
- Amortization	1,600	166
	<u>287,462</u>	<u>(2,451,295)</u>
Operating profit before working capital changes	390,989	576,719
WORKING CAPITAL CHANGES		
(Increase)/(decrease) in current assets		
Stock in trade	(67,368)	-
Trade receivables	(2,286,104)	(1,057,823)
Deposits and other receivables	(61,105)	832,545
(Increase)/(decrease) in current liabilities		
Trade payables	(35,404)	238,402
Term loan	388,873	-
Due to subsidiary	86,362	-
HP creditors	(36,040)	-
Accruals and deposits received	132,489	-
Amount due to directors	65,456	-
	<u>(1,812,841)</u>	<u>13,124</u>
Cash generated from operations	(1,421,852)	589,843
- Finance cost paid	(975)	1,260
Net cash inflows from operating activities	(1,422,827)	591,103
CASH FLOW FROM INVESTING ACTIVITIES		
Cash of subsidiary on acquisition date	-	863,268
Fixed Assets purchased	(1,352,360)	(562,188)
Intangibles purchased	-	(8,000)
Net cash inflows from investing activities	(1,352,360)	293,080
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued during the period	2,550,993	250,000
Net cash inflows/(outflows) from financing activities	2,550,993	250,000
Net increase in cash and cash equivalents	(224,194)	1,134,182
Cash and cash equivalents at beginning of the period	1,134,182	-
Cash and cash equivalents at the end of the period	909,988	1,134,182

The annexed notes from 1 to 24 form an integral part of these financial statements.



DIRECTOR

CHENG KOK LEONG



DIRECTOR

TANG TUNG KEN

NANOPAC INNOVATION LIMITED
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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. BASIS OF PREPARATION

2.1 Basis of measurement

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.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary made up to 31 December 2015 using uniting of interest method.

Under the uniting of interest method, 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.

NANOPAC INNOVATION LIMITED
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 is 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 uniting of interest method, 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 2015.

- Amendments to IFRS 10 and IAS 27 Investment Entities; and
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting;

Amendments to IFRS 10 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.

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.

NANOPAC INNOVATION LIMITED
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 39 Continuation of Hedge Accounting

The amendments to IAS 39 permits an entity to apply the hedge accounting requirements, for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets and liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the "own used" scope exception.

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 2015:

- IFRS 5 Discontinued operations; Annual improvements
- IFRS 7 Financial Instruments; Annual improvements
- IFRS 9 Financial Instruments;
- IFRS 14 Regulatory Deferral Accounts;
- IFRS 15 Revenue from Contracts with Customers;
- IFRS 16 Leases
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations; Amortization;
- IAS 01-Presentation of Financial Statements. - Disclosure Initiative (Amendment)
- IAS 16 -Property, Plant and Equipment and IAS - 38 Intangible Assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment).
- IAS 19 Employees Benefit; Annual improvements
- IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)
- Amendments to IAS 28 Investment in associates and joint ventures; Sale or Contribution of assets, Consolidation exceptions

- 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 company's 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 company based its assumptions and estimates on parameters available when the 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 company.

NANOPAC INNOVATION LIMITED
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

4.1 Measurement of fair value

When measuring the fair value of assets and liabilities, the company uses market observables data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as stated in Note 17 to these financial statements

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 company has established the right to record the said revenue.

5 SIGNIFICANT OF ACCOUNTING POLICIES

5.1 Functional and presentation currency

These financial statements are prepared in US Dollars, which is the company's functional as well as presentation currency.

5.2 Foreign currencies

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

5.3 Trade and other 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.

5.4 Financial instruments

Financial instruments are recognized in the Statement of financial position 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, investments, short term loans and interest receivables 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 company classifies its financial assets into following measurement categories.

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held to maturity
- Available for sale

Financial liabilities are classified as either held at fair value through profit or loss or at amortized cost. Management determines the classification of financial assets and liabilities at initial recognition or, where appropriate, at the time of reclassification.

5.5 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.

5.6 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.

NANOPAC INNOVATION LIMITED
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

5.7 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the company's business, revenue is recognized when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria has been met for each of the company's activities as described below:

Rendering of services

Revenue from contracts is recognized on accrual basis

The recognition of revenue to the stage of completion of a transaction is often referred to as the percentage of completion method. Under this method, revenue is recognized in the accounting periods in which the services are rendered. The recognition of revenue on this basis provides useful information on the extent of service activity and performance during a period.

Interest / Mark up income

Interest / Mark up is recognized on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

5.8 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, 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.

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NANOPAC INNOVATION LIMITED
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6. PROPERTY, PLANT AND EQUIPMENT

Particulars	COST			Rate %	DEPRECIATION			WDV as on Dec 31, 2015
	As on January 01, 2015	Addition During the year	As on June 30, 2015		As on January 01, 2015	For the year	As on Dec 31, 2015	
	----- (USD) -----							
Land and building	-	1,352,360	1,352,360		-	-	-	1,352,360
Office equipment	8,856	-	8,856	20	5,882	595	6,477	2,379
Computer	10,545	-	10,545	20	8,586	392	8,977	1,567
Machinery	4,238,202	-	4,238,202	20	2,831,755	281,290	3,113,044	1,125,158
Renovation	5,176	-	5,176	20	3,217	392	3,609	1,567
Total	4,262,779	1,352,360	5,615,139		2,849,439	282,668	3,132,107	2,483,032

7. INTANGIBLE ASSETS

Particulars	COST			Rate %	AMORTIZATION			WDV as on Dec 31, 2015
	As on January 01, 2015	Addition During the year	As on Dec 31, 2015		As on January 01, 2015	For the year	As on Dec 31, 2015	
	----- (USD) -----				----- (USD) -----			
Software	8,000	-	8,000	20	166	1,600	1,766	6,234
Total	8,000	-	8,000		166	1,600	1,766	6,234

NANOPAC INNOVATION LIMITED
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		2015 USD	2014 USD
8. STOCK IN TRADE			
- Nano technology products		<u>79,683</u>	<u>12,315</u>
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	2015 USD	2014 USD
10. DEPOSITS AND OTHER RECEIVABLES			
Other receivables		3,652	2,288
Deposits		<u>2,062</u>	<u>3,565</u>
		<u>5,714</u>	<u>5,853</u>
11. CASH AND BANK BALANCE			
Cash in hand		-	-
Cash at bank:			
- current accounts		-	-
- saving accounts		<u>909,988</u>	<u>1,134,182</u>
		<u>909,988</u>	<u>1,134,182</u>
12. SHARE CAPITAL			
Authorized share capital			
Ordinary Share Capital			
1,000,000,000 ordinary shares of USD 0.01 each		10,000,000	10,000,000
1 founder share of USD 1.00 each		1	1
		10,000,001	10,000,001
Convertible Shares			
400,000,000 convertible shares of USD 0.01 each		4,000,000	4,000,000
		<u>14,000,001</u>	<u>14,000,001</u>
12. Issued, subscribed and paid up share capital			
Ordinary Share Capital			
500,000,000 shares of USD 0.01 each		500,000	500,000
Convertible Share Capital			
20,000,000 shares of USD 0.01 each	12.1	200,000	200,000
		<u>2,550,993</u>	-
		<u>3,250,993</u>	<u>700,000</u>
12.1 The convertible shares are convertible at the option of the company once the company has raised additional capital in excess of USD 30 million. These shares are not entitled to the dividends declared by the company before any conversion. The company retained the right to either convert the shares into ordinary share or to pay them off and redeem them.			

NANOPAC INNOVATION LIMITED
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 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 nanotechnology 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

		2015	2014
Profit after taxation for the year	USD	103,527	3,028,014
Weighted average number of ordinary	Number of shares	55,037,279	40,320,946
Earnings per share - basic and diluted	USD	<u>0.002</u>	<u>0.08</u>

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

19. 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	<u>575,000</u>
Bargain Purchase Gain	<u>2,763,848</u>

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NANOPAC INNOVATION LIMITED
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	2015	2014
	USD	USD
20. FINANCIAL INSTRUMENTS		
20.1 Financial instruments by class and category		
Financial assets		
Stock in trade	79,683	12,315
Trade receivables	4,238,207	1,952,102
Deposits and other receivables	62,536	5,853
Cash and bank balance	909,988	1,134,182
	<u>5,290,414</u>	<u>3,104,452</u>

20.2 Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts. Further, there are no fair value estimation uncertainties.

20.2.1 Methods of determining fair values

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. The fair value of financial assets (other than investments) and liabilities with no active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

20.2.2 Discount/interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

20.2.3 Fair value hierarchy

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from market).
- Level 3** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value hierarchy of financial assets measured at fair value is as follows:

	2015			
	Total	Level 1	Level 2	Level 3
Stock in trade	79,683	-	-	79,683
Trade receivables	4,238,207	-	-	4,238,207
Deposits and other receivables	62,536	-	-	62,536
Cash and bank balance	909,988	-	-	909,988
	<u>5,290,414</u>	<u>-</u>	<u>-</u>	<u>5,290,414</u>

NANOPAC INNOVATION LIMITED
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	2014			
	Total	Level 1	Level 2	Level 3
Stock in trade	12,315	-	-	12,315
Trade receivables	5,853	-	-	5,853
Deposits and other receivables	1,134,182	-	-	1,134,182
Cash and bank balance	3,104,452	-	-	3,104,452
	<u>4,256,802</u>	<u>-</u>	<u>-</u>	<u>4,256,802</u>

21. FINANCIAL RISK MANAGEMENT

Financial risk factors

Financial instruments comprise investment in equity instruments, interest accrued, trade debts, cash and bank balances, short term borrowings and trade and other payables, short term investments.

The company 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 company's risk management framework. The Board is also responsible for developing and monitoring the company's risk management policies.

The company'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 company's activities.

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

21.1 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 company'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 company'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 company has no significant interest-bearing assets.

Interest rate risk management

The company 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 company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

NANOPAC INNOVATION LIMITED
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21.2 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 on obligation. The carrying amount of financial assets represents the maximum credit exposure. 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 maximum exposure to credit risk at the reporting date was as follows:

	2015	2014
	USD	USD
21.2.1 Maximum exposure to credit risk		
The maximum exposure to credit risk as at the reporting date is as follows:		
Stock in trade	79,683	12,315
Trade receivables	4,238,207	1,952,102
Deposits and other receivables	62,536	5,853
Cash and bank balance	909,988	1,134,182
	<u>5,290,414</u>	<u>3,104,452</u>

21.2.2 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is classified in its funds managed by it and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk.

21.2.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external ratings, where available, or to historical information about counterparty default rates.

21.2.3.1 Counterparties with external credit ratings

These include banking companies, which are counter parties to bank balances, various aother organizations which are counter parties to investments in debt securities and dividend and profit recivable thereon. These counterparties have reasonably high ratings based on which non-performance by these counterparties is not expected.

21.2.3.2 Counterparties without external credit ratings

These include trade receivables and receivable from shareholders. Non performance by these counterparties is not expected.

21.2.4 Collateral held

The Company does not hold any collateral to secure its financial assets.

21.2.5 Credit risk management

The Company's credit risk is primarily attributable to its investment in its funds, balances with banks, and security deposits. Bank balances are maintained with counter parties that are banking companies with reasonably high credit ratings. The risk of default is considered minimal in case of investments in debt

21.3 Liquidity risk

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

NANOPAC INNOVATION LIMITED
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The company'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.

22. RELATED PARTY TRANSACTIONS

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

23. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved and authorized for issue on 30/3/2016 by the Board of Directors of the parent company.

24. GENERAL

- Figures have been rounded off to the nearest US Dollar.
- Corresponding figures have been rearranged or reclassified, whenever necessary for the purpose of comparison.



DIRECTOR
CHENG KOK LEONG



DIRECTOR
TANG TUNG KEN

CK & ASSOCIATES
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Nanopac Innovation Limited

ARBN 169 020 580

REMUNERATION REPORT (Unaudited)

This report details the nature and amount of remuneration for each director of Nanopac Innovation 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 of Nanopac Innovation 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 2015

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

		Name	Salary & Fees	Superannuation Contributions	Other	Total
			\$	\$	\$	\$
		Cheng Kok Leong	73,195.80	Nil	Nil	73,195.80
		Tang Tung Ken	48,797.20	Nil	Nil	48,797.20

ARBN 169 020 580

STOCK EXCHANGE INFORMATION

TOP 20 ORDINARY SHAREHOLDERS AS AT 5 April 2016

Shareholder	Shares	% of issued
J P MORGAN NOMINEES AUSTRALIA LIMITED	6,512,000	19.202
NANOPAC CO LTD	6,000,000	17.692
DATO DR CHENG KOK LEONG	2,638,673	7.781
YUEN YUET LENG	2,589,842	7.637
LEE TAI KYU	1,500,000	4.423
MS WAI YEE CHIN <MR BRYAN HONG MING A/C>	1,000,000	2.949
CHONG AI LEE	644,887	1.902
GOH POI LENG	467,690	1.379
CHENG KOK KEONG	460,538	1.358
LIEW TENG YI	415,000	1.224
BOON KIM TEK	347,791	1.026
HO NYUK LAM	330,809	0.975
LEAW KIEM KOON	215,000	0.634
LIEW TENG YI	214,147	0.631
CHONG CHIT JIN	210,000	0.619
JANE SUJATHA A/P V ALAGARSAMY	200,000	0.590
LIM SAM TECK	200,000	0.590
CHUA THIAM KIM	200,000	0.590
LAI KOK VOON	200,000	0.590
CHIA CHUI HOONG	200,000	0.590
Total of Securities	24,546,377	72.379
	33,913,500	

Analysis of Holdings as at 5-04-2016

Security Classes

CHESS Depositary Interests over Fully Paid Ordinary Shares

Holdings Ranges

Holdings Ranges	Holders	Total Units	%
1-1,000	3	2,326	0.007
1,001-5,000	73	328,903	0.970
5,001-10,000	126	973,541	2.871
10,001-100,000	205	5,771,440	17.018
100,001-99,999,999,999	35	26,837,290	79.135
Totals	442	33,913,500	100.000

Substantial shareholders

	Shares	% of Issued
J P MORGAN NOMINEES AUSTRALIA LIMITED	6,512,000	19.202
NANOPAC CO LTD	6,000,000	17.692
DATO DR CHENG KOK LEONG	2,638,673	7.781
YUEN YUET LENG	2,589,842	7.637

Nanopac Innovation Limited

ARBN 169 020 580

CORPORATE DIRECTORY

DIRECTORS

Dr Cheng Kok Leong

Tang Tung Ken

SECRETARY

Andrew Bristow Australia

REGISTERED OFFICE – SAMOA

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SNPF Plaza

Saualino

APIA SAMOA

REGISTERED OFFICE – AUSTRALIA

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NOMINATED ADVISOR

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AUDITOR

CK & ASSOCIATES

CHARTERED ACCOUNTANTS

UNIT A-6-2, WISMA YOON CHENG

NO 726, JALAN IPOH,

51200 KUALA LUMPUR

MALAYSIA

(MEMBER FIRM OF THE MALAYSIAN INSTITUTE OF ACCOUNTANTS)

CDI/SHARE REGISTRY

BOARDROOM PTY LIMITED

LEVEL 7, 207 KENT STREET,

SYDNEY NSW 2000