

SINO-EXCEL ENERGY LIMITED

ACN 085 162 456
AUDITED FINAL REPORT

PERIOD ENDED 31 DECEMBER 2015

1. Appendix 4E Financial Statements for the year ended 31 December 2015

1. Results for announcement to market

Summary financial information for the company for the financial period ended 31 December 2015 is set out below. Full financial details are attached to this announcement.

| | Consolidated | | | |
|--|----------------------------|---------------------------|---------------------------|------------------------|
| Summary Information | 31 –DEC-15 US\$ | 31-DEC-14 US\$ | Inc/(Dec) US\$ | Inc/(Dec) % |
| Revenue from Ordinary Activities | - | - | - | - |
| Profit/(Loss) after Tax from Ordinary Activities | (381,500) | (1,771,581) | (1,390,081) | (78) |
| Profit/(Loss) after Tax from Discontinued Activities | - | - | - | - |
| Net Profit/(Loss) after Tax Attributable to Members | (381,500) | (1,771,581) | (1,390,081) | (78) |
| Basic Earnings – US Cents Per Share | (0.21) | (0.98) | (0.77) | (78) |
| Dilute Earnings – US Cents Per Share | (0.21) | (0.98) | (0.77) | (78) |
| Net Tangible Assets – US Cents Per Share | | | | |

| Dividends (Distributions) | As per security – US Cents | Franked amount per security - US cents |
|--|-----------------------------------|---|
| Dividends Paid during Year | Nil | Nil |
| Proposed Final Dividend | Nil | Nil |
| Proposed payment date for final dividend | N/A | N/A |

Summary commentary on results

Directors Comments:

Review of Operations

In FY2015, the group had an operating loss of US\$381,500 (2014 loss: US\$1,771,581). The major contributing items to the loss were a provision for bad debts from Aohua of \$234,255 and other operating costs of \$388,945, offset by a net exchange gain of \$264,484.

On 29 December 2015, the Company had entered into a RTO Agreement with Stephen Wong ("SW") and Standard Privilege Wealth Management Limited ("SPWM") to acquire SPWM and/or any other entities which operate the business or hold assets of the business for SW (collectively the "Targets") to acquire a 100% interest in each of the Targets.

In accordance with the terms of the Agreement, the parties were to enter into negotiations in relation to executing an agreement to effect the proposed transaction ("Proposed Transaction")

Under the Proposed Transaction, the Company was to acquire all of the issued shares in the Targets. On satisfaction of the relevant conditions, the Shareholders were to receive fully paid ordinary shares in the Company, representing approximately 70% of the fully diluted share capital of the Company. Conditions to the Proposed Transaction included the completion of the acquisition, by the Targets, of assets valued at no less than an agreed amount, and the satisfaction and receipt of all necessary legal and regulatory approvals.

If the definitive agreements for the implementation of the proposed RTO transaction are not executed by 7 April 2016, the RTO agreement may be terminated and the company may procure the resignations of Directors Stephen Wong Ka Yick, Yuen Siu Fong Joan Jones, She Ka Kui, and She Kar Ho.

The Company believes that a change in activities is in the best interest of shareholders

Subsequent Events

On 29 December 2015, the Company had entered into a RTO Agreement with Stephen Wong ("SW") and Standard Privilege Wealth Management Limited ("SPWM") to acquire SPWM and/or any other entities which operate the business or hold assets of the business for SW (collectively the "Targets") to acquire a 100% interest in each of the Targets. Subsequent to balance date, both parties continue to work towards a sale and purchase agreement.

On the 18th of January 2016, four new Directors were appointed - Stephen Wong, Yuen Siu Fong Joan Jones, Ka Kui She, and Kar Ho She.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Changes in State of Affairs

During the financial period there was no significant change in the state of affairs of the consolidated entity. Refer to Review of Operations within this report for further details.

SINO-EXCEL ENERGY LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

| | Note | Consolidated | |
|--|------|--|--|
| | | 12 months ended Dec 2015 US\$ | 12 months ended Dec 2014 US\$ |
| Revenue | | - | - |
| Other income | 5 | 282,929 | 745,082 |
| Write off of Receivables | | (234,255) | - |
| Finance costs | 4 | (41,229) | (465,317) |
| Other expenses | | (388,945) | (269,613) |
| Share based expenses | | - | (621,187) |
| Provision for impairment of option deposit | | - | (652,496) |
| Provision for impairment of marketable securities | | - | (508,050) |
| Loss before income tax expense | | (381,500) | (1,771,581) |
| Income tax benefit (expense) | 6 | - | - |
| Loss for the year | | (381,500) | (1,771,581) |
| Other comprehensive income | | - | - |
| Total comprehensive income/ (loss) for the year | | (381,500) | (1,771,581) |
| Earnings per share | | | |
| Basic (cents per share) | 15 | (0.21) | (0.98) |
| Diluted (cents per share) | 15 | (0.21) | (0.98) |

SINO-EXCEL ENERGY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

| | Note | Consolidated | |
|--|------|------------------|------------------|
| | | Dec 2015 US\$ | Dec 2014 US\$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 18 | 382,987 | 836,660 |
| Trade and other receivables | 7 | 2,101 | 167,128 |
| Option deposit | 8 | - | - |
| TOTAL CURRENT ASSETS | | 385,088 | 1,003,788 |
| NON-CURRENT ASSETS | | | |
| Available-for-sale financial assets | 9 | - | - |
| TOTAL NON-CURRENT ASSETS | | - | - |
| TOTAL ASSETS | | 385,088 | 1,003,788 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 410,816 | 338,670 |
| Income tax | 6 | 1,665,488 | 1,750,995 |
| Borrowings | 11 | 2,312,332 | 2,536,171 |
| TOTAL CURRENT LIABILITIES | | 4,388,636 | 4,625,836 |
| TOTAL LIABILITIES | | 4,388,636 | 4,625,836 |
| NET ASSETS/(LIABILITIES) | | (4,003,548) | (3,622,048) |
| EQUITY | | | |
| Issued capital | 12 | 5,189,306 | 5,189,306 |
| Other equity (convertible note) | 14 | 494,765 | 494,765 |
| Retained earnings/(accumulated losses) | | (10,966,621) | (10,585,121) |
| Reserves | 13 | 1,279,002 | 1,279,002 |
| TOTAL EQUITY/(DEFICIENCY) | | (4,003,548) | (3,622,048) |

Notes to the financial statements are included on pages 8 to 34.

SINO-EXCEL ENERGY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

| | CONSOLIDATED 12 months Ended 31 December 2015 | | | | | CONSOLIDATED 12 months Ended 31 December 2014 | | | | |
|---|--|--|----------------|--|-------------|--|--|----------------|--|-------------|
| | Issued capital \$ | Retained earnings/ (Accumulated losses) \$ | Reserves \$ | Other equity (convertible notes) \$ | Total \$ | Issued capital \$ | Retained earnings/ (Accumulated losses) \$ | Reserves \$ | Other equity (convertible notes) \$ | Total \$ |
| Opening balance | 5,189,306 | (10,585,121) | 1,279,002 | 494,765 | (3,622,048) | 5,189,306 | (8,813,540) | 657,815 | 494,765 | (2,471,654) |
| Total comprehensive income | | | | | | | | | | |
| Profit/(loss) for the period | - | (381,500) | - | - | (381,500) | - | (1,771,581) | - | - | (1,771,581) |
| Other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income/(loss) | - | (381,500) | - | - | (381,500) | - | (1,771,581) | - | - | (1,771,581) |
| Transactions with owners in their capacity as owners | | | | | | | | | | |
| Capital raising costs | - | - | - | - | - | - | - | - | - | - |
| Issue of new shares | - | - | - | - | - | - | - | - | - | - |
| Issue of earn out shares | | | | | | | | | | |
| Share Based Payments | - | - | - | - | - | - | - | 621,187 | - | 621,187 |
| Other Equity (Convertible Notes) | - | - | - | - | - | - | - | - | - | - |
| Closing balance | 5,189,306 | (10,966,621) | 1,279,002 | 494,765 | (4,003,548) | 5,189,306 | (10,585,121) | 1,279,002 | 494,765 | (3,622,048) |

Notes to the financial statements are included on pages 8 to 34.

SINO-EXCEL ENERGY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

| | Note | Consolidated | |
|---|-------|--|--|
| | | 12 months ended Dec 2015 US\$ | 12 months ended Dec 2014 US\$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | - | - |
| Payments to suppliers and employees | | (383,313) | (763,838) |
| Interest received | | 12,351 | - |
| Interest paid | | - | (38,718) |
| | | - | - |
| Net cash used in operating activities | 18(b) | (370,962) | (802,556) |
| Cash flows from investing activities | | | |
| Payment for plant and equipment | | - | - |
| Refunds from Norwood Immunology | | - | 721,204 |
| Payment for acquisition other investments | | - | - |
| Option deposits paid | | - | (746,526) |
| | | - | - |
| Net cash used in investing activities | | - | (25,322) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | - | 1,866,320 |
| Repayment of borrowings | | - | (529,522) |
| Issue of share capital | | - | - |
| | | - | - |
| Net cash provided by financing activities | | - | 1,336,798 |
| Net increase (decrease) in cash and cash equivalents | | (370,962) | 508,920 |
| Effects of exchange rates on cash and cash equivalents | | (82,711) | (212,467) |
| Cash and cash equivalents at the beginning of the financial year | | 836,660 | 540,207 |
| Cash and cash equivalents at the end of the financial year | 18(a) | 382,987 | 836,660 |

Notes to the financial statements are included on pages 8 to 34.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

Sino-Excel Energy Limited, (the Company) is a listed public company, incorporated in Australia and operating in Australia, Singapore, and Hong Kong. The Company is listed on the Australian Securities Exchange (ASX code: SLE).

Sino-Excel Energy Limited's registered office and its principal place of business are as follows:

Registered office

c/- Minter Ellison
Rialto Towers, Level 23
525 Collins Street
MELBOURNE VIC 3000

Principal place of business

c/- Minter Ellison
Rialto Towers, Level 23
525 Collins Street
MELBOURNE VIC 3000

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) referred to as 'the Group' in these financial statements. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board on 30 March 2016.

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

New or revised Standards and Interpretations that are first effective in the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company's business and, therefore, no change is necessary to Company accounting policies.

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations most relevant to the Company, are set out below:

SINO-EXCEL ENERGY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31
DECEMBER 2015**

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (cont'd)

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|---|--|
| <i>AASB 9 Financial Instruments</i> (December 2010) The impact of adoption of this standard has not yet been assessed by the consolidated entity. | 1 January 2018 | 31 December 2018 |
| <i>AASB 2015-1 Annual Improvements Australian Accounting Standards 2012-2014 cycles</i> (January 2015) The impact of adoption of this standard has not yet been assessed by the consolidated entity. | 1 January 2016 | 31 December 2016 |
| <i>AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i> (December 2014) The impact of adoption of this standard has not yet been assessed by the consolidated entity. | 1 January 2016 | 31 December 2016 |
| <i>AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101</i> (January 2015) The impact of adoption of this standard has not yet been assessed by the consolidated entity. | 1 January 2016 | 31 December 2016 |
| <i>AASB 15 Revenue From Contracts With Customers</i> (December 2015) The impact of adoption of this standard has not yet been assessed by the consolidated entity. | 1 January 2018 | 31 December 2018 |
| <i>AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i> (August 2014) The impact of adoption of this standard has not yet been assessed by the consolidated entity. | 1 January 2016 | 31 December 2016 |
| <i>AASB 16 Leases</i> (February 2016) The impact of adoption of this standard has not yet been assessed by the consolidated entity. | 1 January 2019 | 31 December 2019 |

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (cont'd)

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|---|--|
| AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Tax Losses (February 2016) | 1 January 2017 | 31 December 2017 |
| The impact of adoption of this standard has not yet been assessed by the consolidated entity. | | |
| IFRS Disclosure initiative – Amendments to IAS 7 (January 2016) | 1 January 2017 | 31 December 2017 |
| The impact of adoption of this standard has not yet been assessed by the consolidated entity. | | |

3. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board. For the purposes of preparing the financial report the Group is a for-profit entity.

The financial report comprises the consolidated financial statements of the Group.

Compliance with the Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in United States dollars unless otherwise stated.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3. SUMMARY OF ACCOUNTING POLICIES (cont'd)

Provision for impairment of financial assets:

In the prior year the Directors determined that the investment in Primary Food Company was impaired. The provision for impairment assessment requires a degree of estimation and judgement. The company is in the very early stage of development and is trying to obtain finance. The Directors considered that it was appropriate to make provision for the impairment of the investment. The assessment has not changed in the current year.

In the prior year the Directors determined that the option deposit held in escrow for a proposed RTO was impaired. The provision for impairment of the option deposit assessment requires a degree of estimation and judgement. The Directors believe the former proposed RTO partner has illegally withheld the option deposit and has lodged a fraud complaint with the police. The Directors considered that it was appropriate to make provision for the impairment of the investment. The assessment has not changed in the current year.

Non- recognition of deferred tax assets on tax losses and temporary differences.

The recognition of deferred tax assets requires a degree of estimation and judgement. As the group is not currently trading deferred tax assets have not been recognised due to uncertainty regarding their realisation.

Provision for tax.

A provision for income tax of \$1,665,488 is recorded in relation to the Hong Kong based subsidiary, Sinox Energy Limited. Income tax returns have been lodged which indicate that tax is not payable. The Hong Kong Inland Revenue Department has yet to finalise the tax returns lodged. The Directors have determined it is appropriate to retain the liability in the financial statements until the dispute is resolved.

Going concern basis

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

The Statement of Financial Position of the Group shows a net liability position of \$4,003,548. The Statement of Profit or Loss and Other Comprehensive Income shows that the Group has incurred a loss before tax for the year ended 31 December 2015 of \$381,500.

The ability of the entity to continue as a going concern is dependent on the successful completion of the proposed RTO agreement. If the definitive agreements for the implementation of the proposed transaction are not executed by 7 April 2016, The RTO Agreement may be terminated. If the proposed transaction is not completed by the 31 May 2016 including satisfying conditions precedent by no later than 31 May 2016 (extendable by either party to 15 July 2016) the RTO agreement may be terminated.

In addition, the ability of the entity to continue as a going concern is dependent on the tax liability and convertible notes not becoming due and payable before the successful completion of the RTO.

These conditions represent a material uncertainty that may cast significant doubt over the ability of the company to continue operating as a going concern.

The directors are confident that:

- RTO agreement will reach a successful conclusion. A sale and purchase agreement formalising the transaction will be signed in the near future.
- The tax liability will not become due and payable. The Directors have previously lodged income tax returns with the relevant tax authorities which have been assessed as having nil tax payable. The tax authorities still have the right to review the status of income tax payable, however there has been no indication from the tax authorities that the tax will become payable.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3. SUMMARY OF ACCOUNTING POLICIES (cont'd)

Going concern basis (cont'd)

- Convertible loans will not result in cash outflows. The convertible notes issued to Immense Grow Investments Limited expired in December 2015. After year end the Group has received advice from Immense Grow Investments Limited that it will convert the outstanding convertible note plus accrued interest of \$854,832 to ordinary shares when the company completes a reverse takeover and successfully relists on the ASX. The CB Holder of the other convertible notes (Precious Area Investment Limited and Silver Mind Investment Limited) is unable to subscribe the Tranche 2 of AUD\$8,000,000 of the Convertible Bond and has defaulted on the Convertible Bond Deed with a material breach of the agreement. The Company is seeking legal advices on actions for their breach of the contract and the Heads of Agreement will not materialise. Due to the default, the Convertible Bonds of \$1,457,000 are not payable by the Company as advised by the legal counsel.

Should the Group be unable to continue operating as a going concern it may be required to realize its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and settle its liabilities as and when they fall due.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sino-Excel Energy Limited and its subsidiaries at 31 December each year ("the Group"). Subsidiaries are entities (including structured entities) over which the group has control. The group has control over an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred on the group and are deconsolidated from the date that control ceases. The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income.

b) Borrowings Cost

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3. SUMMARY OF ACCOUNTING POLICIES (cont'd)

d) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

f) Financial instruments issued

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments. Interest is accrued at the effective interest rate on the carrying value of the debt.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3. SUMMARY OF ACCOUNTING POLICIES (cont'd)

g) Foreign currency

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in United States dollars, which is the functional currency of Sino-Excel Energy Limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

i) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31
DECEMBER 2015**

3. SUMMARY OF ACCOUNTING POLICIES (cont'd)

Impairment of assets (cont'd)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

j) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

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

The carrying value of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be realised.

Unrecognised deferred tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31
DECEMBER 2015**

3. SUMMARY OF ACCOUNTING POLICIES (cont'd)

k) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

l) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

m) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less any allowance for any uncollectible amounts. An allowance for a doubtful debt is made when there is objective evidence that the Company will not be able to collect the debt. Bad debts are written off when identified.

n) Available for sale financial assets

All available for sale financial assets are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, available for sale assets are measured at fair value, unless fair value cannot be reliably measured in which case they are recorded at cost. Gains or losses on investments held for trading are recognised in profit or loss.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit or loss.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

SINO-EXCEL ENERGY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31
DECEMBER 2015**

3. SUMMARY OF ACCOUNTING POLICIES (cont'd)

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business at the end of the reporting period.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, being the date that the Group commits to purchase the asset.

SINO-EXCEL ENERGY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31
DECEMBER 2015**

4. FINANCE COSTS

| | <u>CONSOLIDATED</u> | |
|---|----------------------------|------------------|
| | Dec 2015 | Dec 2014 |
| | US\$ | US\$ |
| Interest on convertible notes | (37,849) | (68,839) |
| Unwinding of interest on convertible note | - | (387,391) |
| Other finance costs | (3,380) | (9,087) |
| | <u>(41,229)</u> | <u>(465,317)</u> |

5. OTHER INCOME

| | | |
|-----------------------------------|----------------|----------------|
| Other Income | | |
| Income from Norwood Immunology | - | 721,204 |
| Interest Income | 12,351 | 5,631 |
| Unrealised foreign exchange gains | 264,484 | 18,247 |
| Others | 6,094 | - |
| | <u>282,929</u> | <u>745,082</u> |

6. INCOME TAX

(a) Components

| | | |
|---|----------|----------|
| Current tax on profit/(losses) for the financial year | - | - |
| Deferred tax | - | - |
| Over-provision in prior years | - | - |
| Income tax expense | <u>-</u> | <u>-</u> |

(b) The prima facie expense/(benefit) on pre tax accounting profit/(loss) from operations is reconciled to the income tax expense in the financial statements as follows:

| | | |
|---|-----------|-----------|
| Prima facie tax expense/(benefit) on profit/(loss) at 30% (31 December 2014: 30%) | (114,450) | (531,474) |
| Add tax effect of: | | |
| - Temporary difference and losses not recognised | 114,450 | 531,474 |
| - Non-deductible expenses | - | - |
| - Effects of different tax rates of subsidiaries operating in other jurisdiction | - | - |
| | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |

SINO-EXCEL ENERGY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31
DECEMBER 2015**

6. INCOME TAX (cont'd)

(c) **Recognised deferred taxes net of recognised losses:**

Tax losses recognised as an offset

| | |
|---|---|
| - | - |
| - | - |

(d) **Income tax payable**

Opening balance

1,750,995 1,768,075

Foreign exchange movements

(85,507) (17,080)

Closing balance

1,665,488 1,750,995

Deferred income tax assets are recognised to the extent that the realisation or the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of \$1,529,456 (2014 \$1,335,660) in respect of losses of \$5,098,185 (2014 \$4,452,201). It also did not recognise deferred income tax assets of \$5,015,037 (2014 \$4,935,692) in respect of other temporary differences of \$16,716,792 (2014 \$16,452,308). At the tax rate of 30% the total deferred tax asset not recognised is \$6,544,493 (2014 \$6,271,352).

CONSOLIDATED

| Dec 2015 | Dec 2014 |
|----------|----------|
| US\$ | US\$ |

7. **CURRENT TRADE AND OTHER RECEIVABLES**

Goods and services tax (GST) recoverable

2,101 5,636

Receivable from related party

- 161,493

2,101 167,129

CONSOLIDATED

| Dec 2015 | Dec 2014 |
|----------|----------|
| US\$ | US\$ |

8. **OPTION DEPOSIT**

Option deposit

652,496 652,496

Less: Provision for impairment

(652,496) (652,496)

- -

On 5 September 2014, the Company entered into a Memorandum of Understanding to acquire 51% of Orchid Wine Estate Pty Ltd and 100% of Wright Bay Vineyard and had paid an Option Deposit of AUD\$800,000. On 9 October 2014 The Option Deposit was transferred from the Escrow Account to Ironbridge Wine Pty Ltd a company associated with former Directors of the Group but which the group does not have control over. The Company has lodged a police report on the recovery of the Option deposit and in the process of seeking legal advices to recover the Option Deposit from Ironbridge Wine Pty Ltd. So far no further development the company do not expect to recover the amount.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

| 9. <u>AVAILABLE-FOR-SALE FINANCIAL ASSETS</u> | CONSOLIDATED | |
|--|---------------------|-----------------|
| | Dec 2015 | Dec 2014 |
| | US\$ | US\$ |
| Equity securities – Unlisted companies | 508,050 | 508,050 |
| Less Provision for Impairment | (508,050) | (508,050) |
| | - | - |

A provision for impairment was posted in the prior year as the company invested in is currently not generating any income and has no contracts in place to generate income in the future. The Board have considered it prudent to fully impair its investment as at this stage there is no indication their investment will be returned.

| 10. <u>CURRENT TRADE AND OTHER PAYABLES</u> | CONSOLIDATED | |
|--|---------------------|-----------------|
| | Dec 2015 | Dec 2014 |
| | US\$ | US\$ |
| Trade payables | 72,146 | - |
| Related party loans | 38,670 | 38,670 |
| Accrued payables | 300,000 | 300,000 |
| | 410,816 | 338,670 |

| 11. <u>BORROWINGS</u> | CONSOLIDATED | |
|---|---------------------|-----------------|
| | Dec 2015 | Dec 2014 |
| | US\$ | US\$ |
| Convertible notes – liability component – Immense Grow Investment Limited | 854,832 | 904,971 |
| Convertible notes – liability component – Precious Area Investment Limited and Silver Mind Investment Limited | 1,457,500 | 1,631,200 |
| | 2,312,332 | 2,536,171 |

Immense Grow Investment Limited

The convertible notes issued to Immense Grow Investments Limited expired in December 2014. After year end the Group has received advice from Immense Grow Investments Limited that it will convert the outstanding convertible note plus accrued interest of \$112,775 to ordinary shares when the company completes a reverse takeover and successfully relists on the ASX.

Precious Area Investment Limited and Silver Mind Investment Limited

The vendor has subscribed to Convertible Notes of AUD\$2 million in September 2014. The Vendor has default the subscription of the Tranche 2 of AUD\$8 million on due date and has material breach on the agreement. Due to this default the Heads of Agreement will not materialise for the acquisition of the winery business and vineyard in PRC and Australia. The Convertible Bond is not repayable by the Company as per the advice from the legal counsel.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2015

| | CONSOLIDATED | |
|--|---------------------|------------------|
| | Dec 2015 | Dec 2014 |
| | US\$ | US\$ |
| 12. ISSUED CAPITAL | | |
| <i>Fully paid ordinary shares</i> | | |
| 179,503,062 fully paid ordinary shares | | |
| (2014: 179,503,062) | <u>5,189,306</u> | <u>5,189,306</u> |

| | CONSOLIDATED | | CONSOLIDATED | |
|--|---------------------------------|------------------|---------------------------------|------------------|
| | 12 months ended Dec 2015 | | 12 months ended Dec 2014 | |
| | No. | US\$ | No. | US\$ |
| <u>Fully Paid Ordinary Shares</u> | | | | |
| Balance at beginning of financial year | 179,503,062 | 5,189,306 | 167,003,062 | 4,744,401 |
| Issuance of earn out shares (note 28) | | | | |
| Shares issued | | | | |
| - Cash | - | - | 12,500,000 | 444,905 |
| - | | | | |
| - | | | | |
| Balance at end of financial year | <u>179,503,062</u> | <u>5,189,306</u> | <u>179,503,062</u> | <u>5,189,306</u> |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Dividends

No dividends were declared or paid in respect of the year ended 31 December 2015 (31 December 2014: nil). The group does not have any franking credits available for subsequent financial years at 31 December 2015 (31 December 2014: Nil)

The reconciliation of movements in options outstanding at the end of each year including weighted average exercise price (WAEP) is described in the table below.

| | CONSOLIDATED | | CONSOLIDATED | |
|--|---------------------------------|---------------------|---------------------------------|---------------------|
| | 12 months ended Dec 2015 | | 12 months ended Dec 2014 | |
| | No. | WAEP (cents) | No. | WAEP (cents) |
| <u>Options Outstanding</u> | | | | |
| Balance at beginning of financial year | 10,393,443 | 32.2 | 10,393,443 | 32.2 |
| Options granted during the year | - | - | - | - |
| Options exercised during the year | - | - | - | - |
| Options expiring during the year | (10,393,443) | 32.2 | - | - |
| Balance at end of financial year | <u>-</u> | <u>-</u> | <u>10,393,443</u> | <u>32.2</u> |

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2015

| | | <u>CONSOLIDATED</u> | |
|--|--|----------------------------|------------------------|
| | | Dec 2015 | Dec 2014 |
| | | US\$ | US\$ |
| 13. <u>RESERVES</u> | | | |
| Share based payments reserve | | | |
| Opening balance | | 1,279,002 | 657,815 |
| Share-based payments | | - | 621,187 |
| Closing balance | | <u>1,279,002</u> | <u>1,279,002</u> |
| | | | |
| | | <u>CONSOLIDATED</u> | |
| | | 12 months ended | 12 months ended |
| | | Dec 2015 | Dec 2014 |
| | | US\$ | US\$ |
| 14. <u>OTHER EQUITY CONVERTIBLE NOTES</u> | | | |
| Opening balance | | 494,765 | 494,765 |
| Notes converted to equity | | - | - |
| | | <u>494,765</u> | <u>494,765</u> |
| | | | |
| | | 12 months ended | 12 months ended |
| | | Dec 2015 | Dec 2014 |
| | | Cents per share | Cents per share |
| 15. <u>EARNINGS PER SHARE</u> | | | |
| Basic earnings per share | | <u>(0.21)</u> | <u>(0.98)</u> |
| Diluted earnings per share | | <u>(0.21)</u> | <u>(0.98)</u> |

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2015

15. EARNINGS PER SHARE (cont'd)

| | 12 months ended Dec 2015 No. | 12 months ended Dec 2014 No. |
|--|--|--|
| The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share. | 179,503,062 | 179,503,062 |
| The weighted average number of ordinary shares on issue during the financial year used in the calculation of diluted earnings per share | 179,503,062 | 179,503,062 |
| | 179,503,062 | 179,503,062 |
| All options on issue during the year are considered potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. | | |
| All options on issue during the year are considered potential ordinary shares for the purposes of calculating diluted earnings per share. Potential ordinary shares that are not dilutive are excluded from the calculation of weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share. | | |
| | 12 months ended Dec 2015 US\$ | 12 months ended Dec 2014 US\$ |
| Earnings used in the calculation of basic earnings per share and diluted earnings per share reconciles to the net profit/(loss) as follows: | | |
| Net profit /(loss) | (381,500) | (1,771,581) |
| Net profit /(loss) used in the calculation of basic earnings per share and diluted earnings per share | (381,500) | (1,771,581) |
| | 12 months ended Dec 2015 No | 12 months ended Dec 2014 No |
| The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share: | | |
| Options – Ordinary shares | - | - |

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. SUBSEQUENT EVENTS

On 29 December 2015, the Company had entered into a RTO Agreement with Stephen Wong ("SW") and Standard Privilege Wealth Management Limited ("SPWM") to acquire SPWM and/or any other entities which operate the business or hold assets of the business for SW (collectively the "Targets") to acquire a 100% interest in each of the Targets. Subsequent to balance date, both parties continue to work towards a sale and purchase agreement.

The Company has appointed four new directors in January 2016 to manage the RTO process of the new business to be acquired.

17. SEGMENT INFORMATION

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker of Sino-Excel Energy Limited is its Board of Directors. The entity is suspended from trading and is currently negotiating a successful RTO and relisting. Until that time it currently has only one operating segment, being the management of compliance and reporting requirements of the company while negotiations continue.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2015

| <u>CONSOLIDATED</u> | |
|----------------------------|------------------|
| 12 months | 12 months |
| ended | ended |
| Dec 2015 | Dec 2014 |
| US\$ | US\$ |

18. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash on hand and in banks

| | |
|---------|---------|
| 382,987 | 836,660 |
|---------|---------|

(b) Reconciliation of profit/(loss) from ordinary activities after related income tax to net cash flows from operating activities

Profit /(loss) from ordinary activities after related income tax

| | |
|-----------|-------------|
| (381,500) | (1,771,581) |
|-----------|-------------|

Write off of receivables

| | |
|---------|---|
| 234,255 | - |
|---------|---|

Refund of Norwood Immunology Investment

| | |
|---|-----------|
| - | (721,204) |
|---|-----------|

Unwinding of interest on convertible note

| | |
|---|---------|
| - | 387,393 |
|---|---------|

Provision for Impairment of Investment

| | |
|---|---------|
| - | 508,050 |
|---|---------|

Provision for Impairment of Option Deposit

| | |
|---|---------|
| - | 652,496 |
|---|---------|

Unrealised foreign exchange (gain)/loss

| | |
|-----------|----------|
| (264,484) | (18,247) |
|-----------|----------|

Share based payments

| | |
|---|---------|
| - | 621,187 |
|---|---------|

Changes in operating assets and liabilities, net of the effects of purchase of subsidiaries:

(Increase)/decrease in trade and other receivables

| | |
|----------|----------|
| (69,228) | (74,177) |
|----------|----------|

Increase/(decrease) in accrued interest

| | |
|--------|--------|
| 37,849 | 30,120 |
|--------|--------|

Increase/(decrease) in current payables

| | |
|--------|-----------|
| 72,146 | (416,593) |
|--------|-----------|

Net cash generated from/(used in) operating activities

| | |
|-----------|-----------|
| (370,962) | (802,556) |
|-----------|-----------|

19. SUBSIDIARIES

| Name of Entity | Country Of Incorporation | Ownership Interest | |
|--|--------------------------|--------------------|------------|
| | | Dec 2015 % | Dec 2014 % |
| <i>Legal Parent Entity</i> Sino-Excel Energy Limited | Australia | | |
| <i>Legal Subsidiaries (Active)</i> Sino-Excel Energy Pte. Ltd. SINOX Energy Limited | Singapore Hong Kong | 100 100 | 100 100 |

During the 2015 year the company commenced arranging the Singapore and Hong Kong subsidiaries for liquidation and strike off.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS

a) Significant Accounting Policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

b) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The Group has adopted the policy of only dealing with creditworthy counterparties. New counterparties are required to remit cleared funds to the Company in advance of committing to transactions as a means of mitigating the risk of financial loss from default.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

The following banking institutions are used by the Group: Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia Limited, National Bank of Australia Limited, and Hong Kong and Shanghai Banking Corporation Limited.

c) Capital risk management

The Group maintains its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 12, cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital and reserves and accumulated losses as disclosed in the Statement of Changes in Equity. The group is not subject to any capital restrictions.

Operating cash flows are used to maintain and expand the Group's assets as well as to make routine outflows. The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities to meet anticipated funding requirements.

d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 20(e)). The Group holds certain foreign currency denominated monetary assets to mitigate the effects of foreign currency fluctuations.

There has been no change to the Group's exposure to market risks or the manner in which it manages the risk from the previous period.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (cont'd)

e) Foreign currency

The following table details the Group's sensitivity to a 10% increase and decrease in the US dollar against the foreign currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss where the US dollar strengthens against the respective currency. For a weakening of the US dollar against the respective currency, there would be an equal and opposite impact on the loss and the balances below would be negative.

Total Cash Balances in US Dollars

| | | 12 months ended 31 Dec 2015 US\$ | 12 months ended 31 Dec 2014 US\$ |
|-------------------|--|---|---|
| Australia Dollars | | 337,175 | 790,848 |
| Hong Kong Dollars | | 45,812 | 45,812 |
| Total | | 382,987 | 836,660 |

Movement in exchange rate

Net Impact

| | <u>Consolidated Profit and Loss</u> | |
|-------------------|--|--|
| | 12 months ended Dec 2015 US\$ | 12 months ended Dec 2014 US\$ |
| Hong Kong dollars | (5,398) | (5,668) |
| AUD dollars | (33,460) | (78,700) |

f) Interest rate risk management

The Group is not exposed to interest rate risk as funds borrowed are either on an interest free basis or at fixed rates. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (cont'd)

g) Categories of financial instruments

| | 31 Dec 2015 | 31 Dec 2014 |
|--------------------------------------|--------------------|--------------------|
| | US\$ | US\$ |
| <i>Financial Assets</i> | | |
| Cash and bank balances | 382,987 | 836,660 |
| Marketable Securities | - | - |
| <i>Financial Liabilities</i> | | |
| Derivative instruments at fair value | - | - |
| through profit or loss | | |
| Amortised cost | 2,312,332 | 2,536,171 |

h) Financial risk management objectives

The Group's treasury function co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, and by monitoring forecast and actual cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED **31 DECEMBER 2015**

20. FINANCIAL INSTRUMENTS (cont'd)

| | Weighted average effective interest rate | Less than 1 month US\$ | 1-3 month s US\$ | 3 months to 1 year US\$ | 1-5 years US\$ | 5+ years US\$ | Total US\$ |
|---------------------------------|--|------------------------------|---------------------------|-------------------------------|-------------------|------------------|------------------|
| 31 Dec 2015 | | | | | | | |
| Non-interest bearing | - | 410,816 | - | 1,457,500 | - | - | 1,868,316 |
| Fixed interest rate instruments | 5.0% | 854,832 | - | - | - | - | 854,832 |
| | | <u>1,265,648</u> | <u>-</u> | <u>1,457,500</u> | <u>-</u> | <u>-</u> | <u>2,723,148</u> |
| 31 Dec 2014 | | | | | | | |
| Non-interest bearing | - | 338,670 | - | 1,631,200 | - | - | 1,969,870 |
| Fixed interest rate instruments | 5.0% | 904,971 | - | - | - | - | 904,971 |
| | | <u>1,243,641</u> | <u>-</u> | <u>1,631,200</u> | <u>-</u> | <u>-</u> | <u>2,874,841</u> |

j) Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Specifically, significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2015

21. KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation of the key management personnel of the consolidated entity is set out below:

| | <u>CONSOLIDATED</u> | |
|-----------------------------------|--|--|
| | 12 months ended Dec 2015 \$ | 12 months ended Dec 2014 \$ |
| Short-term employee benefits | 149,431 | 194,056 |
| Post-employment benefits | - | - |
| Other long term employee benefits | - | - |
| Termination benefits | - | - |
| Share-based payment | - | - |
| Other benefits | - | 241,985 |
| Total | 149,431 | 436,041 |

22. RELATED PARTY DISCLOSURES

a) Equity Interests in Subsidiaries

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 19 to the financial statements.

b) Key Management Personnel Remuneration

Details of key management personnel remuneration are disclosed in the remuneration report contained within the Directors' report accompanying the financial statements. A summary of amounts paid to Key Management Personnel is noted in Note 21 to the financial statements:

c) Other related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

- Under the terms of the proposed RTO for the acquisition of the winery business in PRC and acquisition of vineyard in Australia the wages of the company totalling \$234,255 were to be reimbursed by AoHua, a company associated with Ms Jia Meng. The receivable balance of \$234,255 was written off during the year as it was not going to be collected.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2015

| | <u>CONSOLIDATED</u> | |
|--|--|--|
| | 12 months ended Dec 2015 \$ | 12 months ended Dec 2014 \$ |
| 23. <u>REMUNERATION OF AUDITORS</u> | | |
| Audit of the parent entity | | |
| Audit or review of the financial report – BDO Audit (NTH QLD) Pty Ltd | 57,000 | 65,000 |
| | 57,000 | 65,000 |

The auditor of Sino-Excel Energy Limited is BDO Audit (NTH QLD) Pty Ltd.
No non- audit services have been provided by the auditor.

SINO-EXCEL ENERGY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2015

24. PARENT ENTITY DISCLOSURES

Financial position

| | <u>COMPANY</u> | |
|---------------------------|-----------------------|-----------------|
| | Dec 2015 | Dec 2014 |
| | US\$ | US\$ |
| Assets | | |
| Current assets | 337,721 | 956,419 |
| Non-current assets | - | - |
| Total assets | 337,721 | 956,419 |
| Liabilities | | |
| Current liabilities | 2,684,478 | 2,836,171 |
| Non-current liabilities | - | - |
| Total liabilities | 2,684,478 | 2,836,171 |
| Equity | | |
| Issued capital | 184,312,208 | 184,312,208 |
| Equity (Convertible Note) | 494,765 | 494,765 |
| Accumulated losses | (192,340,859) | (191,873,853) |
| Share Based Reserves | 4,839,906 | 4,839,906 |
| Capital Contribution | 347,222 | 347,222 |
| Total assets/(deficiency) | (2,346,758) | (1,879,752) |

Financial performance

| | | |
|----------------------------|-----------|-------------|
| Profit/(Loss) for the year | (467,006) | (1,492,257) |
| Other comprehensive income | - | - |
| Total comprehensive income | (467,006) | (1,492,257) |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has not entered into guarantees in relation to the debts of its subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2015 and 31 December 2014.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2015 and 31 December 2014.

SINO-EXCEL ENERGY LIMITED

ADDITIONAL SECURITIES EXCHANGE INFORMATION

(AS AT 16 MARCH 2016)

Fully Paid Ordinary Shares

- 179,503,062 fully paid ordinary shares are held by 3,403 individual shareholders.

All issued ordinary shares carry one vote per share.

Options

Options do not carry a right to vote.

Distribution Of Holders Of Equity Securities

| | | | Fully Paid Ordinary Shares | Options |
|--------|---|---------------|----------------------------------|---------|
| 1 | - | 10,000 | 3,227 | - |
| 10,001 | - | 20,000 | 65 | - |
| 20,001 | - | 50,000 | 47 | - |
| 50,001 | - | 9,999,999,999 | 64 | - |
| | | | 3,403 | - |

Substantial Shareholders

| Ordinary Shareholders | Fully Paid | |
|---------------------------|------------|------------|
| | Number | Percentage |
| MAJESTIC FAITH LIMITED | 60,000,000 | 33.43% |
| ENDLESS ADVENTURE LIMITED | 47,039,216 | 26.21% |
| SWIFT CHINA LIMITED | 30,055,167 | 16.74% |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

SINO-EXCEL ENERGY LIMITED

ADDITIONAL SECURITIES EXCHANGE INFORMATION

(AS AT 16 MARCH 2016)

Twenty Largest Holders Of Quoted Equity Securities

| Ordinary Shareholders | Fully Paid | |
|--|-------------|------------|
| | Number | Percentage |
| MAJESTIC FAITH LIMITED | 60,000,000 | 33.43% |
| ENDLESS ADVENTURE LIMITED | 47,039,216 | 26.21% |
| SWIFT CHINA LIMITED | 30,055,167 | 16.74% |
| MR LI GENG | 12,500,000 | 6.96% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 3,305,977 | 1.84% |
| ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C> | 2,000,005 | 1.11% |
| BLAMNCO TRADING PTY LTD | 1,686,587 | 0.94% |
| TISSUE ENGINEERING REFRACTION INC | 1,519,964 | 0.85% |
| MR ZHENG SHI WU | 1,480,364 | 0.82% |
| BNP PARIBAS NOMS PTY LTD <,UOB KAY HIAN PRIVATE LIMITED DRP> | 1,386,833 | 0.77% |
| MR ZHOU WEI JIAN | 1,313,230 | 0.73% |
| MS XIN LI XIANG | 1,258,297 | 0.70% |
| BOMAN ASSET PTY LTD | 923,516 | 0.51% |
| MR XIN ZHI RUI | 839,137 | 0.47% |
| RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C> | 673,508 | 0.38% |
| BARLOMA NOMINEES PTY LTD | 606,667 | 0.34% |
| MS LI YING ZHANG | 440,000 | 0.25% |
| MR JOHN RICHARD HABIB + DR JANE FRANCIS HABIB <MUNGO SUPER FUND A/C> | 340,000 | 0.19% |
| PETER HANSEN | 333,333 | 0.19% |
| ROKEBA NOMINEES PROPRIETARY LIMITED<SILMAN PROPERTY A/C> | 300,000 | 0.17% |
| | 168,001,801 | 93.59% |

Company Secretaries

Mr. Richard Holstein

Principal Registered Office

Level 23,
525 Collins Street
MELBOURNE VIC 3000
Tel: (03) 8608 2000

Principal Administration Office

Level 23,
525 Collins Street
MELBOURNE VIC 3000
Tel: (03) 8608 2000

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067
Tel: (03) 9415 5000

Stock Exchange Listings

Sino-Excel Energy Limited's ordinary shares are quoted by the Australian Securities Exchange Limited.

INDEPENDENT AUDITOR'S REPORT

To the members of Sino-Excel Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Sino-Excel Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company'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 report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Sino-Excel Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Sino-Excel Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the successful completion of the proposed RTO agreement, and income tax and convertible note liabilities not becoming due and payable before successful completion of a reverse takeover. These conditions, along with other matters as set out in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 26 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Sino-Excel Energy Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.



BDO Audit (NTH QLD) Pty Ltd



Greg Mitchell
Director

Cairns, 30 March 2016