

NANOPAC INNOVATION LIMITED (ARBN 169020580)
(Incorporated in Samoa)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NANOPAC INNOVATION LIMITED (ARBN 169020580)
(Incorporated in Samoa)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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2. Director's Report
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1. CORPORATE 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 as 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

Board representatives meet 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

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 to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.

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2. DIRECTORS' REPORT

The directors of Nanopac Innovation Limited present their report on the Company for the financial year ended 31 December 2018.

Directors

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

Dato' Dr. Cheng Kok Leong
Ho Chin Woi

Dato' Dr. Cheng Kok Leong has been in office since incorporation on 7 March 2014 until the date of this report.

Mr. Ho Chin Woi has been in office since 30 May 2016 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 Ltd and Mr. Andrew David Bristow.

Principal Activities

The Group is principally involved in manufacturing, distribution and sales of nanotechnology products.

Our Business Model and Objective

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

Operating Results

The Company incurred a net operating loss of US\$ 281,205 for the period ending 31 December 2018.

Dividends Paid or Recommended

No dividends have been proposed, declared or paid by the Company since the date of incorporation and the Directors do not recommend the payment of any dividends for the current financial year.

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Review of Operations

There have been no changes in respect of operations during the year.

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 operation 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.

Environment Issues

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

Information On Directors

- I. 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 19year'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 and 14,000,000 A Class Converting Preference Shares
Special Responsibilities	: Nil
Directorships held in other listed Entities	: Nil

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II. Mr. Ho Chin Woi, Executive Director
Board member from 30 May 2016 to date

Qualification and Experience

Ho Chin Woi obtained his Bachelor of Engineering in Chemical Engineering and Master of Science majoring in Biochemical Engineering from Universiti Putra Malaysia (UPM), one of the leading research universities in Malaysia. Prior to joining Nanopac in 2009, he was part of a university research team working in the development of large-scale isolation and purification processes for nano-scale virus protein useful for diagnostic reagents and vaccine development. During his 4-year tenure with the research team, he published a total of 5 scientific articles in high ranking scientific journals in South Korea and United Kingdom. His research effort has earned him numerous international awards including the gold medals in the 17th Malaysia International Invention & Technology Exhibition (ITEX 2006) and in the 55th World Exhibition on Innovation, Research and New Technologies, Brussels, Belgium (EUREKA 2006).

His originally joined Nanopac (M) Sdn Bhd as an executive in business development. 3 years later, he was promoted to the position of manager in the business development and technical department. He is also currently the Chief Operating Officer of Nanotextile Sdn Bhd, a joint-venture company between Nanopac and NanoMalaysia Berhad, a government agency under the Malaysian Ministry of Science, Technology and Innovation (MOSTI).

Interest in Shares and Options	: 5,536 CDIs
Special Responsibilities	: Nil
Directorships held in other listed Entities	: Nil

Dated: 6 May 2020



Cheng Kok Leong
Chairman

NANOPAC INNOVATION LIMITED (ARBN 169020580)
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3. REMUNERATION REPORT

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 US\$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 2018

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

Name	----- Group -----		
	Salary & Fees	Other	Total
	US\$	US\$	US\$
Cheng Kok Leong	126,132	-	126,132
Ho Chin Woi	27,309	-	27,309
Total	153,441	-	153,441

NANOPAC INNOVATION LIMITED

4. STOCK EXCHANGE INFORMATION

This information was correct as at 21 July 2020

TOP 20 Holding	AS at 21 July 2020	
DATO DR CHENG KOK LEONG	29,221,372	37.075%
J P MORGAN NOMINEES AUSTRALIA	12,947,255	16.427%
NANOPAC CO LTD	9,200,000	11.673%
MRS CHOY MAY CHAN	4,589,842	5.823%
LEE TAI KYU	2,300,000	2.918%
CHENG KOK LEONG	1,606,348	2.038%
MS WAI YEE CHIN	1,000,000	1.269%
CHONG AI LEE	644,887	0.818%
HO NYUK LAM	330,809	0.420%
OOI CHOO HUAT	307,214	0.390%
LAI YIN TING	300,000	0.381%
YONG VOON KIEN	300,000	0.381%
LEAW KIEN KOON	250,460	0.318%
SIAH KIM KEONG	225,692	0.286%
LAI KOK VOON	200,000	0.254%
CHIA CHUI HOONG	200,000	0.254%
POH GEOK SOO	197,998	0.251%
CHNG SEK KIAM	189,490	0.240%
LIM CHENG KEAT	182,469	0.232%
ONG YONG FOO	160,691	0.204%
		81.651%

Analysis of Holdings as at 21-07-2020

Securities

CHESS Depositary Interests Over Fully Paid Ordinary Shares

Converting Shares - Escrowed 2 Years (Release 23/7/16)

Converting Shares

Holdings Ranges	Holders	Total Units	%
1-1,000	14	6,094	0.010
1,001-5,000	245	1,105,440	1.400
5,001-10,000	338	2,495,953	3.170
10,001-100,000	351	9,249,635	11.740
100,001-1,000,000	27	6,095,073	7.730
1,000,001-9,999,999,999	6	59,864,722	75.950
Totals	981	78,816,917	100.000

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5. CORPORATE DIRECTORY

DIRECTORS

Dato' Dr. Cheng Kok Leong
Ho Chin Woi

SECRETARY

Andrew Bristow -- Australia
Westco Secretaries Ltd -- Samoa

REGISTERED OFFICE -- SAMOA

c/- ASIACITI TRUST SAMOA LTD
2nd Floor, Building B
SNPF Plaza
Saulino
APIA SAMOA

REGISTERED OFFICE -- AUSTRALIA

c/- HIGHGATE CORPORATE ADVISORS PTY LTD
31 Highgate Cct
NORTH KELLYVILLE NSW 2155
Mob: 0403192 230

NOMINATED ADVISOR

HIGHGATE CORPORATE ADVISORS PTY LTD
31 Highgate Cct
NORTH KELLYVILLE NSW 2155
Mob: 0403192 230

AUDITOR

YL Chee & Co.
12A-2, Jalan PJU8/5C, Damansara Perdana
47820 Petaling Jaya, Selangor Darul Ehsan
MALAYSIA
(Member Firm of Malaysia Institute of Accountants)
Tel: 603-7729 2731 / 603-7710 2821
Email: audit@ylchee.com

CDI/SHARE REGISTRY

BOARDROOM PTY LIMITED
Level 12, 225 George Street
SYDNEY NSW 2000

NANOPAC INNOVATION LIMITED (ARBN 169020580)
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**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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Y. L. CHEE & CO. (AF 0725) Chartered Accountants (Malaysia)

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NANOPAC INNOVATION LIMITED (ARBN 169020580)
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REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **NANOPAC INNOVATION LIMITED**, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 34.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Group are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Group, and our auditors' report thereon.

Our opinion on the financial statements of the Group does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Y. L. CHEE & CO. (AF 0725) Chartered Accountants (Malaysia)

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If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Group are responsible for the preparation of financial statements of the Group that give a true and fair view in accordance with IFRS. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

Y. L. CHEE & CO. (AF 0725) Chartered Accountants (Malaysia)

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group, including the disclosures, and whether the financial statements for the financial year ended 31 December 2018 represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

This report is made solely to the members of the Company, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.


Y. L. CHEE & CO.
(Firm Number : AF 0725)
Chartered Accountants (Malaysia)

Petaling Jaya, Malaysia

Dated : 6 May 2020


CHEE YON LONG
01407/07/2021 J
Chartered Accountant

STATEMENT BY DIRECTORS

The directors of **NANOPAC INNOVATION LIMITED** state that, in their opinion, the financial statements of the Group set out on pages 5 to 34 are drawn up in accordance with International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of the Group as at 31 December 2018 and financial performance of the Group for the financial year ended 31 December 2018.

Approved by the Board and signed on behalf of the Directors


DATO' DR. CHENG KOK LEONG
Director


HO CHIN WOI
Director

Petaling Jaya, Malaysia

Dated : - 6 MAY 2020

STATUTORY DECLARATION

I, **DATO' DR. CHENG KOK LEONG**, being the director primarily responsible for the financial management of **NANOPAC INNOVATION LIMITED** do solemnly and sincerely declare that the financial statements set out on page 5 to 34 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above)
named **DATO' DR. CHENG KOK LEONG**)
at Petaling Jaya in Selangor, Malaysia)
on - 6 MAY 2020)


DATO' DR. CHENG KOK LEONG
Director

Before me,



5A, Jalan Bunga Tanjung 8
Taman Putra
68000 Ampang, Selangor



Commissioner for Oaths

NANOPAC INNOVATION LIMITED (ARBN 169020580)
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Note	2018 USD	2017 USD (Restated)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	2,982,666	3,087,814
Goodwill	6	1,938,848	1,964,848
Intangible assets	7	284,779	-
		<u>5,206,293</u>	<u>5,052,662</u>
CURRENT ASSETS			
Inventories	8	321,218	603,402
Trade receivables	9	374,807	326,686
Other receivables	10	3,803,813	4,179,499
Current tax assets		11,597	18,230
Cash and cash equivalents		496,776	605,141
		<u>5,008,210</u>	<u>5,732,958</u>
TOTAL ASSETS		<u><u>10,214,503</u></u>	<u><u>10,785,620</u></u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	11	7,816,817	7,816,817
Reserve		(44,487)	(42,770)
Accumulated losses		(1,017,197)	(705,389)
Equity attributable to the owners of the company		6,755,134	7,7068,658
Non-controlling interest		194,683	212,469
TOTAL EQUITY		<u>6,949,816</u>	<u>7,182,127</u>
NON-CURRENT LIABILITIES			
Borrowings	12	1,045,084	1,115,127
Deferred tax liabilities	14	19,563	-
Total Non-current Liabilities		<u>1,064,647</u>	<u>1,115,127</u>

The accompanying notes form an integral part of these financial statements.

NANOPAC INNOVATION LIMITED (ARBN 169020580)
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Note	2018 USD	2017 USD (Restated)
CURRENT LIABILITIES			
Trade payables	15	142,922	210,551
Other payables	16	1,530,436	1,694,907
Due to a director	17	317,101	274,917
Borrowings	13	197,782	200,344
Current tax liabilities		11,798	8,647
Total Current Liabilities		<u>2,200,039</u>	<u>2,389,366</u>
TOTAL LIABILITIES		<u>3,264,687</u>	<u>3,504,493</u>
TOTAL EQUITY AND LIABILITIES		<u>10,214,503</u>	<u>10,785,620</u>

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	2018 USD	2017 USD (Restated)
Revenue	18	3,505,459	2,405,101
Cost of sales		<u>(2,692,219)</u>	<u>(1,791,741)</u>
Gross profit		813,240	613,360
Other operating income		137,520	57,507
Administration expenses		(682,280)	(603,519)
Selling and marketing expenses		(95,616)	(58,061)
Other operating expenses		(338,502)	(205,332)
Impairment		<u>(26,000)</u>	<u>217,000</u>
Operating (loss)/profit	19	(191,638)	20,955
Finance costs		<u>(53,351)</u>	<u>(51,106)</u>
Loss before tax		(244,989)	(30,151)
Income tax expense	20	<u>(36,217)</u>	<u>(22,004)</u>
Loss after tax		<u>(281,205)</u>	<u>(52,155)</u>
Other comprehensive gain/(loss)			
Foreign currency translation differences		<u>(7,585)</u>	<u>44,031</u>
Total comprehensive loss for the year		<u>(288,790)</u>	<u>(8,123)</u>
Net loss for the year attributable to:			
Owners of the Company		(311,808)	(100,104)
Non-controlling interest		<u>30,603</u>	<u>47,991</u>
		<u>(281,205)</u>	<u>(52,155)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(313,525)	(74,579)
Non-controlling interest		<u>24,735</u>	<u>66,456</u>
		<u>(288,790)</u>	<u>(8,123)</u>
Loss Per Share			
Basic loss per share (cents)	21	(0.41)	(0.06)
Diluted loss per share (cents)	21	<u>(0.41)</u>	<u>(0.06)</u>

The accompanying notes form an integral part of these financial statements.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

<i>Group</i>	Share capital USD	Accumulated losses USD	Reserve USD	Total Shareholders' equity	Non- controlling interests USD	Total USD
As at 1 January 2017	7,881,691	(605,243)	(68,337)	7,208,111	146,013	7,354,124
Total comprehensive loss for the year	-	(100,146)	-	(100,146)	47,991	(52,155)
Foreign currency translation differences	-	-	25,567	25,567	18,464	44,031
As at 31 December 2017	<u>7,881,691</u>	<u>(705,389)</u>	<u>(42,770)</u>	<u>7,133,532</u>	<u>212,469</u>	<u>7,346,001</u>
Non- controlling interests arising from acquisition of subsidiary	-	-	-	-	(42,521)	(42,521)
Total comprehensive loss for the year	-	(311,808)	-	(311,808)	30,603	(281,205)
Foreign currency translation differences	-	-	(1,717)	(1,717)	(5,868)	(7,5858)
As at 31 December 2018	<u>7,881,691</u>	<u>(1,017,197)</u>	<u>(44,487)</u>	<u>6,820,007</u>	<u>194,683</u>	<u>7,014,690</u>

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	2018 USD	2017 USD (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(244,989)	(30,151)
Adjustments for:			
Bad debts written off		250	161
Allowance for doubtful debts		5,110	-
Amortisation of intangible asset		12,893	-
Depreciation of property, plant and equipment		271,368	213,312
Exchange difference on translation of foreign operations		667	9,657
Financial charges		55,661	48,968
Foreign exchange gain – unrealised		(104,590)	(14,141)
Impairment on goodwill/(written back)		97,930	(217,000)
Operating profit before working capital changes		94,300	10,806
Decrease/(increase) in inventories		327,311	(386,127)
Decrease/(increase) in receivables		220,794	(447,531)
Decrease in payables		(459,750)	(79,891)
Increase in due to a director		46,560	44,549
Cash from/(used in) operations		229,215	(858,194)
Finance cost paid		(55,661)	(48,968)
Tax paid		(15,359)	(28,419)
Net cash from/(used in) operating activities		158,195	(935,581)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(217,232)	(329,333)
Net cash inflow from acquisition of a subsidiary		11,048	-
Net cash used in investing activities		(206,184)	(329,333)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from affiliated companies		-	784,451
Repayment of borrowings		(53,836)	(59,998)
Net cash used in investing activities		(53,836)	724,453

The accompanying notes form an integral part of these financial statements.

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	2018 USD	2017 USD (Restated)
Net decrease in cash and cash equivalents		(101,825)	(540,461)
Cash and cash equivalents at beginning of the year		<u>452,114</u>	<u>992,575</u>
Cash and cash equivalents at end of the year		<u><u>350,289</u></u>	<u><u>452,114</u></u>
Represented by:			
Cash and bank balances		496,776	605,141
Bank overdraft		<u>(146,487)</u>	<u>(153,027)</u>
		<u><u>350,289</u></u>	<u><u>452,114</u></u>

The accompanying notes form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

1. GENERAL INFORMATION

The Company was incorporated in and under the laws of the Samoa on 7 March 2014 and was listed on the National Stock Exchange of Australia on 23 July 2014.

The registered offices are located at Level 2, Lotemau Centre, Vaea Street, Apia, Samoa and 31, Highgate Cct, North Kellyville NSW 2155, Australia.

The Company is investment holding company. The Group is principally engaged in manufacturing, supplying, importing, exporting of nano technology products, photo catalyst power, coating solutions and chemical solutions of every description, and manufacturing, supplying, importing and exporting of engine oil products.

The financial statements of the Group are presented in the functional currency, which is the currency of the primary economic environment in which the entity operates. The functional currency of the Group is Ringgit Malaysia as the sales and purchases are mainly denominated in Ringgit Malaysia and receipts from operations are usually retained in Ringgit Malaysia and funds from financing activities are generated in Ringgit Malaysia.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on the historical cost basis, except when indicated in the individual policy notes. The principal accounting policies adopted are set out below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(a) Basis of consolidation – (continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicates that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing the control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted at the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(a) Basis of consolidation – (continued)

Where the Group loses control of a subsidiary, a gain or loss is recognised and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g).

On disposal of property, plant and equipment, the differences between disposal proceeds and its carrying amount is charged or credited to the income statement.

Property, plant and equipment are written down to recoverable amounts if the recoverable amounts are less than their carrying values. Recoverable amount is the higher of an asset's net selling price and its value in use.

Depreciation is provided on the straight-line method at rates required to write off the cost or valuation of the property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used are as follows:

	<u>Useful lives</u>
Leasehold land	95 – 96 years
Factory building	50 years
Motor vehicle	5 years
Office equipment	5 years
Furniture and fitting	5 years
Machineries	5 years
Renovation	5 years

Fully depreciated assets are retained in the financial statements at nominal values until they are no longer in use.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(c) Foreign currencies

Functional and presentation currency

The functional currency of each of the Company's entities is determined using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Ringgit Malaysia which is the parent entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are recorded on initial recognition in RM at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

(d) Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amounts of the assets are estimated. Irrespective of whether there is any indication of impairment, the Group tests an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the 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.

If the recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, an impairment loss is recognised to reduce the carrying amount to its recoverable amount. An impairment loss for a cash-generating unit is firstly allocated to reduce the carrying amount of goodwill allocated to the cash-generating unit, and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss is recognised immediately in profit or loss, unless it reverses a previous revaluation, in which case it is treated as a revaluation decrease.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(e) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using weighted average formula. Cost of raw materials comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition. Cost of work-in-progress includes the cost of raw materials. Cost of finished goods includes the cost of raw materials, direct labour, other direct costs and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Cash flow statement

The Group adopts the indirect method in the preparation of cash flow statement.

Cash and cash equivalents consist of cash at bank less overdraft.

(g) Financial assets

Financial assets are recognised in the statement of financial position when the Group become a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting.

On initial recognition, financial assets are measured at fair value, plus transaction costs for financial assets not at 'fair value through profit or loss'.

Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash receipts through the expected life of the financial assets or a shorter period to the net carrying amount of the financial assets.

After initial recognition, financial assets are classified into financial assets at 'fair value through profit or loss' categories.

(i) *Financial assets at 'fair value through profit or loss'*

A financial asset is classified as 'held for trading' if:

- it is acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective hedging instrument.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(g) Financial assets – (continued)

(i) *Financial assets at 'fair value through profit or loss' – (continue)*

Financial assets (other than 'held for trading') are designed as at 'fair value through profit or loss' upon initial recognition if:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases; or
- a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- a contract contains one or more embedded derivatives, the entire hybrid contracts are designated as at 'fair value through profit or loss'.

After initial recognition, financial assets at 'fair value through profit or loss' are measured at fair value. Gains or losses on the financial assets at 'fair value through profit or loss' are recognised in profit or loss.

(ii) *Derecognition of financial assets*

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the Group transfer the financial assets and the transfers qualify for derecognition.

On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses that have been recognised in other comprehensive income are recognised in profit or loss.

(h) Equity instruments

Equity instruments are any contracts that evidence a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Dividends on ordinary shares will be recognised as liabilities when the shareholders' rights to receive the dividends are established.

(i) Financial liabilities

Financial liabilities are recognised on the statements of financial position when the Group become a party to the contractual provisions of the instrument.

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On initial recognition, financial liabilities are measured at fair value, plus transaction costs for financial liabilities not at 'fair value through profit or loss'.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(i) Financial liabilities – (continued)

After initial recognition, financial liabilities are classified as at 'fair value through profit or loss'.

(i) *Financial liabilities at 'fair value through profit or loss'*

Financial liabilities are classified as at 'fair value through profit or loss' when the financial liabilities are either 'held for trading' or upon initial recognition, the financial liabilities are designated as at 'fair value through profit or loss'.

A financial liability is classified as 'held for trading' if:

- it is incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective hedging instrument.

Financial liabilities (other than 'held for trading') are designated as at 'fair value through profit or loss' upon initial recognition if:

- it eliminates or significant reduces a measurement or recognition inconsistency that would otherwise arise from measuring liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- a contract contains one or more embedded derivatives, the entire hybrid contracts are designated as at 'fair value through profit or loss'.

After initial recognition, financial liabilities at 'fair value through profit or loss' are measured at fair value. Gains or losses on the financial liabilities at 'fair value through profit or loss' are recognised in profit or loss.

(ii) *Derecognition of financial liabilities*

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amounts of financial liabilities derecognised and the consideration paid is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(j) Borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset when the expenditures for the asset and borrowing costs are being incurred, and activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation of borrowing costs is suspended during any extended periods in which active development is interrupted and ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in profit or loss in the year in which they are incurred.

(k) Revenue

Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and taxes applicable to the revenue.

(l) Income tax

Income tax comprises of current tax and deferred tax. Current tax and deferred tax are charged or credited to other comprehensive income or equity if the tax relates to items that are credited or charged directly to other comprehensive income or equity.

Current tax liabilities are measured based on the amounts expected to be paid, using the tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences which are the differences between the carrying amount in the financial statements and the corresponding tax base of an asset or liability at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax liabilities and assets are not recognised if the temporary differences arise from goodwill and for initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit. Deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying

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amounts of its assets and liabilities and are measured using the tax rates that have been enacted or substantially enacted by the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(l) Income tax – (continued)

The carrying amount of the deferred tax assets are reviewed at each reporting date, and the carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised. The reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(m) Intangible assets

Intangible assets are recognised when it is probable that expected future economic benefits that are attributable to the assets will flow to the Group, the cost or value of the assets can be measured reliably and the assets do not result from expenditure incurred internally on an intangible item.

Intangible assets acquired separately are measured at cost initially. Subsequently, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Patents and trademarks are amortised on a straight-line method over the estimated useful lives of 3 years. The amortisation period and method are reviewed if there is an indication of a significant change in factors affecting the residual value, useful life or asset consumption pattern since the last annual reporting date.

Costs associated with internally generated intangible assets arising from research and development activities are recognised as an expense when they are incurred unless they form part of the cost of another asset that meets the recognition criteria.

(n) Employment benefits

i) *Short-Term Employment Benefits*

Wages, salaries and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when employees render services that increase their entitlement to future compensated absences. Non-accumulating compensated absences, such as sick and medical leaves are recognised when the absences occur.

ii) *Defined Contribution Plan*

Contributions payable to the defined contribution plan are recognised as a liability and an expense when the employees have rendered services to the Group.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period. The Group's assessment of the impact of these new standards and interpretations is that they will result in no significant changes to the amount recognised or matters disclosed in the Group's financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) Judgements made in applying accounting policies

There were no significant judgements made by management in the process of applying the accounting policies of the Group which may have significant effect on the amounts recognized in the financial statements.

(b) Key sources of estimation uncertainty

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 discussed below.

(c) Tax provisions

Significant judgement and estimates are used in arriving at taxable profits for the year and for prior years, including assessing the deductibility of expense items for tax purposes. Management are guided by tax laws/cases on such instances. Management believes that all deductions claimed, in arriving at taxable profits for current and prior years, are appropriate and justifiable.

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5. PROPERTY, PLANT AND EQUIPMENT

	As at 1 January 2018 USD (Restated)	Additions USD	Translation adjustment USD	Disposals USD	As at 31 December 2018 USD
Cost					
Freehold land	621,393	-	(16,008)	-	605,385
Leasehold land and building	1,942,320	-	(50,037)	-	1,892,283
Motor vehicle	258,773	26,128	(6,666)	-	278,235
Office equipment	187,372	4,418	(4,827)	-	186,963
Furniture and fitting	120,278	261	(3,099)	-	117,440
Machineries	298,866	199,102	(7,699)	-	490,269
Renovation	284,813	12,363	(7,337)	-	289,838
	3,713,815	242,272	(95,673)	-	3,860,413

Group	As at 1 January 2018 USD (Restated)	Charges for the year USD	Translation adjustment USD	Disposals USD	As at 31 December 2018 USD
Accumulated Depreciation					
Leasehold land and building	74,107	31,821	(2,319)	-	103,609
Motor vehicle	224,153	39,148	(6,279)	-	257,022
Office equipment	80,254	34,235	(2,508)	-	111,981
Furniture and fitting	44,223	22,838	(1,433)	-	65,628
Machineries	104,110	85,169	(3,779)	-	185,500
Renovation	99,154	58,157	(3,304)	-	154,007
	626,001	271,368	(19,622)	-	877,747

	<u>Carrying Amount</u>		<u>Depreciation Charge</u>	
	2018 USD	2017 USD (Restated)	2018 USD	2017 USD
Freehold land	605,385	621,393	-	-
Leasehold land and building	1,788,674	1,868,213	31,821	39,987
Motor vehicle	21,213	34,620	39,148	51,755
Office equipment	74,982	107,118	34,235	34,047
Furniture and fitting	51,812	72,769	22,838	21,572
Machineries	304,769	194,756	85,169	20,676
Renovation	135,831	188,945	58,157	56,857
	2,982,666	3,087,814	271,368	224,894

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6. GOODWILL

	2018 USD	2017 USD
At beginning of the year	1,964,848	1,747,848
Impairment recognized	(26,000)	-
Impairment written back	-	217,000
At end of the year	<u>1,938,848</u>	<u>1,964,848</u>

7. INTANGIBLE ASSETS

	2018 USD	2017 USD
Acquired licenses		
<u>At cost</u>		
At beginning of the year	-	-
Acquired of subsidiary	361,141	-
At end of the year	<u>361,141</u>	<u>-</u>
<u>Accumulated amortization</u>		
At beginning of the year	-	-
Acquired of subsidiary	63,635	-
Charge for the year	12,893	-
Translation adjustments	(166)	-
At end of the year	<u>76,362</u>	<u>-</u>
<u>Carrying amount</u>		
Acquired licenses	<u>284,779</u>	<u>-</u>

Acquired licenses are patents in respect of exclusive ownership rights to the Republic of Korea and Malaysia territories with an initial term of 9 to 11 years commencing from 31 December 2016.

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8. INVENTORIES

	2018 USD	2017 USD
At cost,		
Nano technology products	295,784	257,994
Solar panel – work-in-progress	-	317,927
	<u>295,784</u>	<u>575,921</u>
At net realizable value,		
Nano technology products	25,434	27,481
	<u>321,218</u>	<u>603,402</u>
Recognised in profit or loss:		
Inventories recognized as cost of sales	2,599,926	1,791,741
Impairment loss on inventories	-	25,231

9. TRADE RECEIVABLES

The Company's normal trade credit terms range from 30 to 60 days (2017: 30 to 60 days). Other credit terms are assessed and varied on a case-by-case basis.

Ageing analysis of trade receivables

	2018 USD	2017 USD
Neither past due nor impaired	279,807	193,881
Past due but not impaired:		
30 days past due	57,821	32,263
More than 60 days past due	37,179	100,542
	<u>374,807</u>	<u>326,686</u>

Trade receivable that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions.

Trade receivable that are past due but not impaired

The Group has trade receivable amounting to USD 95,000 (2017: USD 132,805) that are past due at the reporting date but not impaired. The Directors and the management are confident that the outstanding amount are recoverable as these accounts are still active and have not defaulted on payments based on historical trends.

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10. OTHER RECEIVABLES

	2018 USD	2017 USD (Restated)
Other receivables	3,702,584	4,162,436
Deposit	15,987	15,457
Prepayment	1,916	1,606
GST input tax	83,326	-
	<u>3,803,813</u>	<u>4,179,499</u>

Included in other receivables of the Group are amount due from affiliated companies amounted to USD 3,692,312 (2017: USD 3,664,919), which is unsecured, interest free and repayable on demand.

11. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2018 Units	2017 Units	2018 USD	2017 USD (Restated)
Ordinary shares - fully paid	58,816,917	58,816,917	7,616,817	7,616,817
"A" Converting Shares	20,000,000	20,000,000	200,000	200,000
Total	<u>78,816,917</u>	<u>78,816,917</u>	<u>7,816,817</u>	<u>7,816,817</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

"A" Converting Shares

The "A" Converting Shares are convertible automatically into ordinary shares once the Company has raised additional capital in excess of US\$10,000,000 provided the holder will not hold more than 75% of the issued ordinary shares. These shares otherwise rank pari passu with ordinary shares. No further "A" Converting Shares may be issued.

PAR Value

All shares have a par value of US\$0.01. The Company has an authorised capital of US\$14,000,001.

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12. BORROWINGS

	2018 USD	2017 USD
<u>Current</u>		
Bank overdraft (Secured)	146,487	153,026
Term loans (Secured)	39,632	39,087
	186,119	192,113
Finance lease liabilities (Note 13)	11,663	8,231
	197,782	200,344
<u>Non-current</u>		
Term loans (Secured)	989,037	1,059,509
Finance lease liabilities (Note 13)	56,047	46,679
	1,045,084	1,106,188
<u>Total borrowings</u>		
Bank overdraft (Secured)	146,487	153,026
Term loans (Secured)	1,028,669	1,098,596
	1,175,156	1,251,622
Finance lease liabilities (Note 13)	67,710	54,910
	1,242,866	1,306,532
Maturities of borrowings (excluding finance lease liabilities):		
Within one year	186,119	192,113
More than 1 year and less than 2 years	41,542	40,952
More than 2 years and less than 5 years	656,835	706,911
5 years or more	290,660	311,645
	1,175,156	1,251,621

The effective interest rates at reporting date for the above borrowing were as follows:

	2018	2017
Bank overdraft	8.20%	8.20%
Term loans	4.65% - 4.77%	4.65%
Finance lease liabilities	4.05% - 4.78%	4.05%

The above bank borrowings were secured by way of:

- Leasehold land and buildings of the Group;
- Joint and several guarantee by certain directors of the Group; and
- Corporate guarantee given by the subsidiary companies.

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13. FINANCE LEASE LIABILITIES

	2018 USD	2017 USD
Finance lease obligations repayable:		
Within one year	14,518	10,572
More than 1 year and less than 5 years	57,185	42,288
More than 5 years	4,571	9,662
	<u>76,274</u>	<u>62,522</u>
Future finance charges	<u>(8,565)</u>	<u>(7,612)</u>
Present value of finance lease payables	<u>67,710</u>	<u>54,910</u>
Principal amount repayable:		
Within one year	11,663	8,231
More than 1 year and less than 5 years	51,601	32,925
More than 5 years	4,446	13,754
	<u>67,710</u>	<u>54,910</u>

14. DEFERRED TAX LIABILITIES

	2018 USD	2017 USD
At beginning of the year	8,940	8,035
Amount recognized in profit or loss	<u>10,623</u>	<u>905</u>
At end of the year	<u>19,563</u>	<u>8,940</u>

15. TRADE PAYABLES

The normal trade credit terms granted to the Company range from 30 to 60 days (2017: 30 to 60 days). There is no other element of payables included in trade payables.

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16. OTHER PAYABLES

	2018 USD	2017 USD (Restated)
Other payables	1,435,430	2,560,828
Accruals	30,132	25,322
	<u>1,465,562</u>	<u>2,586,150</u>

Included in other payables of the Group are amount due to related parties amounted to USD 1,275,141 (2017: USD 1,568,274), which is unsecured, interest free and repayable on demand.

17. DUE TO DIRECTORS

These represent unsecured interest free advances from director and are repayable on demand.

18. REVENUE

Revenue represents invoiced value of goods sold less discounts.

19. LOSS BEFORE TAX

	2018 USD	2017 USD
This is stated after charging/(crediting):		
Allowance for doubtful debts	5,110	-
Amortisation of intangible assets	12,893	-
Audit fee	7,177	4,125
Bad debts written off	250	162
Depreciation of property, plant and equipment	271,368	224,894
Loss/(Gain) on foreign exchange:		
- realised	9,826	(4,356)
- unrealised	(104,590)	(14,141)
Impairment on goodwill/(written back) arising from consolidation	97,930	(217,000)
Interest income	(170)	(602)
Interest expenses	54,942	48,968
Rental Income	(29,268)	(28,128)
Rental of premises	44,902	43,153
Staff costs	<u>241,563</u>	<u>182,505</u>

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20. INCOME TAX EXPENSE

	2018 USD	2017 USD
Current year	27,318	21,921
Over-provision in prior year	(2,097)	(822)
	<u>25,221</u>	<u>21,099</u>
Deferred tax	10,996	905
	<u>36,217</u>	<u>22,004</u>

Provision for enterprise income tax of the subsidiaries operating in Malaysia is made in accordance with the income tax law of Malaysia concerning Foreign Investment Enterprises and Foreign Enterprises. Taxation has been provided at the appropriate tax rates prevailing in Malaysia in which the Group operates on the estimated assessable profits for the financial period. These rates generally range from 18% to 24% (2017: 18% to 24%) for the reporting period.

The reconciliation of income tax expense applicable to the loss before tax at the statutory income tax rates to the income tax expenses for the reporting period is as follows:

	2018 USD	2017 USD (Restated)
Loss before tax	<u>(244,989)</u>	<u>(30,151)</u>
At applicable tax rate	(16,592)	(28,731)
Effect of expenses not deductible for tax purposes	40,981	38,533
Tax over-provided in prior year	(1,724)	(822)
Deferred tax assets not recognised	<u>13,552</u>	<u>13,024</u>
Tax expenses for the year	<u>36,217</u>	<u>22,004</u>

21. LOSS PER SHARE

The loss per share is calculated based on the consolidated loss attributable to owners of the Company divided by the weighted average number of shares on issue of 70,000,000 (2017: 70,000,000) shares during the financial year.

The following table reflect the loss and share data used in the computation of diluted loss per share from continuing operations for the financial period ended 31 December:

	2018 USD	2017 USD
Weighted average number of ordinary shares for the purpose of calculating dilute loss per share	<u>70,000,000</u>	<u>70,000,000</u>
Loss for the purpose of calculating basic and diluted loss per share	<u>(288,790)</u>	<u>(8,123)</u>

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22. INVESTMENT IN SUBSIDIARIES

	2018 USD	2017 USD
Unquoted shares, at cost	<u>3,338,848</u>	<u>3,338,848</u>

Unless indicated, otherwise all subsidiaries are incorporated and operating in Malaysia as following:

<u>Name of company</u>	<u>Effective equity interest</u>		<u>Principal activity</u>
	<u>2018</u> %	<u>2017</u> %	
<i><u>Held by the Company</u></i>			
Nanopac (M) Sdn Bhd	100	100	- Investment holding - Production and distribution of Nano products
<i><u>Held through</u></i>			
<i><u>Nanopac (M) Sdn Bhd</u></i>			
Nanopac Innovation (M) Sdn Bhd	100	100	- Dormant
DNA Petrochem Sdn Bhd	51	51	- Trading in base oil
Sega Lubricant Sdn Bhd	51	51	- Trading in automotive oil
Nanotextile Sdn Bhd	60	-	- Developing and promoting nanotechnology based products

All subsidiaries are not audited by YL Chee & Co.

Acquisition of new subsidiary

On 28 August 2018, the Group acquired 60% equity interest in Nanotextile Sdn Bhd for a cash consideration of USD7,223.

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23. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel of the Group and the Company are those persons having the authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Group and the Company. The directors of the Company and the general management of the Group and the Company are considered as key management personnel of the Group and the Company.

The remuneration of key management personnel during the financial year was as follows:

	2018 USD	2017 USD
Short-term employee benefits:		
- Fees	96,780	112,427
- Salaries and other remuneration	42,424	39,959
	<u>139,204</u>	<u>152,385</u>

24. SIGNIFICANT RELATED PARTY DISCLOSURES

The significant related party transactions by the Group with its related parties during the financial year are as follows:

	2018 USD	2017 USD
Sales to affiliated companies	56,148	2,532
Directors' remuneration	<u>139,204</u>	<u>152,385</u>

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

25. FOREIGN EXCHANGE RATE

The principal closing foreign exchange rates used (expressed on basis of one unit of foreign currency to USD equivalent) for the translation of foreign currency balances at the statement of financial position date are as follows:

	2018 USD	2017 USD
Hong Kong Dollar	7.8316	7.8118
Malaysia Ringgit	4.1535	4.0465
Euro Dollar	0.8741	0.8333
Great Britain Pound	<u>0.7879</u>	<u>0.7406</u>

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's and the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close cooperation with the Groups' operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

It is the Group's policy to enter into transactions with creditworthy customers and high credit rating counter-parties to mitigate any significant credit risk. The Group has procedures in place to control credit risk and that exposure to such risk is monitored on an ongoing basis.

Exposure to credit risk

As the Group's does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amounts of trade and other receivables and other financial assets including cash and cash equivalents.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

At the reporting date, assets held by the Group for managing liquidity risk, included cash and cash equivalents.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group financial instruments will fluctuate because of changes in market interest rates.

The Group is exposure to interest rate risk arises primarily from their cash and cash equivalents and finance leases.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (continued)

The Group's policy is to obtain the most favourable interest rates available. Surplus funds are placed with reputable banks.

Information relating to the Group interest rate exposure is also disclosed in the Notes 12 to the financial statements.

The impact of changes in interest rate on the Group's financial assets and liabilities is minimal. As such, effect of a sensitivity analysis on the Group's net profit would be negligible.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company has currency exposures arising from transactions, assets and liabilities that are denominated in a currency other than the functional currency of the Company. The foreign currencies in which the currency risk arises are mainly US dollars (USD). Management believes that the foreign currency risk is manageable. Hence the Group and the Company does not use derivative financial instruments to mitigate this risk.

Market price risk

Given that the Group does not have any available-for-sale financial assets, the Group is not exposed to any significant market price risk.

27. CATEGORIES OF FINANCIAL INSTRUMENTS

	2018 USD	2017 USD
<u>Financial assets</u>		
Trade receivables	374,807	326,686
Other receivables, net of prepayments	3,803,813	4,179,499
Cash and cash equivalents	496,776	605,141
	<u>4,675,396</u>	<u>5,111,326</u>
<u>Financial liabilities</u>		
Trade payables	142,922	210,551
Other payables	1,465,562	1,630,033
Due to a director	317,101	274,917
Borrowing	1,242,866	1,123,774
	<u>3,168,451</u>	<u>3,239,275</u>

28. CAPITAL MANAGEMENT

The consolidated group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

29. SEGMENT REPORTING

The Group is principally engaged in the manufacturing, supplying, importing, exporting of nano technology products, photo catalyst power, coating solutions and chemical solutions of every description, and manufacturing, supplying, importing and exporting of engine oil products in Malaysia. For management purposes, the Group operates in one business unit based on its services and products, and has one reportable segment.

Since most of the Group's revenue was generated in Malaysia, no geographical information is presented.

30. CONTINGENCIES AND COMMITMENTS

The Group and the Company had neither contingent liabilities/assets nor any financial commitments as at 31 December 2018.

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31. RESTATEMENT OF COMPARATIVE FIGURES

	As previously stated	Amount restated	As restated
	2017		2017
	USD	USD	USD
<u>Statement of financial position</u>			
Property, plant and equipment	3,084,780	3,034	3,087,814
Intangible asset	3,034	(3,034)	-
Other receivables	7,899,464	(3,719,965)	4,179,499
Other payable	2,586,150	(891,243)	1,694,907
Share capital	7,881,691	(64,874)	7,816,817
Reserve	-	(42,770)	(42,770)
Retained earnings	2,015,689	(2,721,078)	(705,389)
<u>Statement of comprehensive income</u>			
Foreign translation gain	12,467	31,564	44,031

The comparative figures have been audited by a firm of chartered accountants in Malaysia other than YL Chee & Co.

32. SIGNIFICANT EVENT AFTER REPORTING DATE

On 6 August 2019, the nominee directors on the boards of the subsidiaries, DNA Petrochem Sdn Bhd and Segal Lubricant Sdn Bhd (the "Subsidiaries") lodged a Police report against two of the other Directors in respect of actions which it is believed amounted to Criminal Breach of Trust.

Subsequently, the Company suspects that a staff member in the subsidiary, Nanopac (M) Sdn Bhd had stolen important information including shareholder contacts details and passed the information to one of the Directors that implicated with the Criminal Breach of Trust. The Company believes that they have conspired and used the information to spread unsubstantiated rumours to all shareholders with the intention to damage the reputation of the Company and its Directors.

The staff member responsible has currently suspended and under police investigation. The Company is seeking legal advice for next course of action.

33. AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on 6 May 2020.