

Nanopac Innovation Limited

ARBN 169 020 580

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 December 2017

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DIRECTORS GOVERNANCE STATEMENT

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

The main corporate governance policies are summarised below:

Director's Access to Independent Advice

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

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

Audit Board and Risk

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
- Emerging 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.

DIRECTOR'S REPORT

Your directors present their report on the Company for the financial period ended 31 December 2017

Directors

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

Dr. Cheng Kok Leong

Chin Woi Ho

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

Mr Chin Woi Ho 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 .

Principle Activities

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

Our business model and objectives

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

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

Operating Results

The Company incurred a net operating loss of US \$ 56,156 for the period ending 31 December 2017.

Dividends Paid or Recommended

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

Review of Operations

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

Financial Position

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

Significant Changes in State of Affairs

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

After Balance Date Events

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

Future Developments and Business Strategies

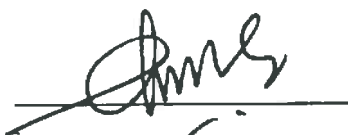
The Company will pursue its investment objectives for the long-term benefit of members. This will require the continued review of the investment strategy that is in place and may from time to time require some changes to that strategy.

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

Environmental Issues

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

Dated 28th March 2018

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

Cheng Kok Leong

Chairman

DIRECTORS' REPORT

Information on Directors

DATA 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 18 year's experience in starting up and managing companies. Nanopac established the first Nanotechnology Product manufacturing plant in Malaysia. It was granted Pioneer Company status in 2004 and was recognised as one of Malaysia's fastest growing companies. Mr Cheng was previously CEO and co-founder of DAG Autosonic Sdn Bhd and Digi Sun Technologies Sdn Bhd.

Interest in Shares and Options

[- 26,250,000 CDIs and 11,200,000 A Class Converting Preference Shares]

Special Responsibilities

Nil

Directorships held in other listed Entities

Nil

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).

He 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

Nanopac Innovation Limited

ARBN 169 020 580

REMUNERATION REPORT (Unaudited)

This report details the nature and amount of remuneration for each director of Nanopac Innovation Limited, and for the executives receiving the highest remuneration.

Remuneration Policy

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

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

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

Details of remuneration for period ended 31 December 2017

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

Name	Salary & Fees	Superannuation Contributions	Other	Total
	\$	\$	\$	\$
Cheng Kok Leong	70,000	Nil	Nil	70,000
Chin Woilto	20,000	Nil	Nil	20,000

CK & ASSOCIATES (AF 1598)

Chartered Accountants
(Member Firm of the Malaysian Institute of Accountants)

Unit A-6-2, Wisma Yoon Cheng, No. 726, Batu 4½,
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NANOPAC INNOVATION LIMITED (ARBN 169020580) (Incorporated in Samoa)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Opinion

We have audited the accompanying financial statements of Nanopac Innovation Limited (the "Company") and its controlled entities (collectively, the "Group"), which comprise the statements of financial position of the Company and the Group as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the financial position of the Company and the consolidated financial position of the Group as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

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 Auditor's Responsibilities for the Audit of Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Opinion.

Key audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter include:

Financial assets and fair value through profit or loss

The Group has quoted investments as disclosed in Note 10, which are classified as financial assets at fair value through profit or loss and form a significant balance in the financial statements and the fair value changes could have a material impact on the Group's operational results and may result in assets being misstated.

Our audit procedures included testing of investments acquired during the year, testing ownership and classification and testing for fair value of investments and reasonableness of impairment review done by the Group's management.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

(Continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the directors' statement, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action in accordance with the ISAs.

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Group or to cease operation, or has no realistic alternative but to do so.

The responsibilities of those charged with governance include overseeing the Group's financial reporting process.

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NANOPAC INNOVATION LIMITED

(ARBN 169020580)

(Incorporated in Samoa)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

(Continued)

Auditor's responsibility for the Audit of the Financial Statements

Our objective are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 auditor's report to the related disclosures in the financial statements 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 auditor's 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

CK & ASSOCIATES [AF 1598]

Chartered Accountants

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NANOPAC INNOVATION LIMITED

(ARBN 169020580)

(Incorporated in Samoa)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

(Continued)

Auditor's responsibility for the Audit of the Financial Statements

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, and where applicable, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



CK & ASSOCIATES
Chartered Accountants
Malaysia,

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	The Company		The Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		USD	USD	USD	USD
ASSETS					
NON CURRENT ASSETS					
Property, plant and equipment	5	-	-	4,228,008	3,749,888
Intangible assets	6	-	-	3,034	4,634
Investments at fair value	7	3,448,499	-	3,448,499	-
Investment in subsidiaries	8	98,909	98,909	-	-
		3,547,408	98,909	7,679,541	3,754,522
CURRENT ASSETS					
Stock in trade		-	-	741,344	190,977
Trade receivables		-	-	2,748,385	5,293,417
Amount due from subsidiary	9	4,273,412	7,752,571	-	-
Deposits and other receivables	10	-	-	2,121,575	2,098,124
Cash and bank balances	11	1	1	663,649	1,122,242
		4,273,413	7,752,572	6,274,953	8,704,759
TOTAL ASSETS		7,820,821	7,851,481	13,954,494	12,459,281
EQUITY AND LIABILITIES					
Share capital	12	7,881,691	7,881,691	7,881,691	7,881,691
Consolidated retained earnings		(60,870)	(30,210)	3,202,364	3,311,806
Total equity attributable to equity holders of the Company		7,820,821	7,851,481	11,084,055	11,193,497
Non-controlling interest		-	-	195,747	-
Total equity		7,820,821	7,851,481	11,279,802	11,193,497
CURRENT LIABILITIES					
Trade payables		-	-	1,160,965	322,098
Term loan	13	-	-	96,025	138,879
HP creditors		-	-	107,682	89,620
Accruals and deposits received	14	-	-	78,743	-
Amount due to a director	15	-	-	202,052	356,707
		-	-	1,645,467	907,304
NON-CURRENT LIABILITIES					
Term loan		-	-	706,181	-
HP creditors		-	-	323,045	358,480
		-	-	1,029,226	358,480
TOTAL EQUITY AND LIABILITIES		7,820,821	7,851,481	13,954,494	12,459,281

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		From 01.01.2017 to 31.12.2017 USD	From 01.01.2016 to 31.12.2016 USD
	Notes		
Revenue	16	2,942,695	2,313,814
Cost of sales		(2,196,516)	(1,341,122)
Gross profit		746,179	972,691
Administrative expenses		(297,459)	(331,896)
Selling and marketing expenses		(526,734)	(498,002)
Other operating expenses		(18,661)	(20,026)
		(842,854)	(849,924)
Operating (loss)/profit		(96,675)	122,767
Other operating income		41,930	1,958
Finance costs		(1,410)	(163)
(Loss)/Profit before tax		(56,156)	124,561
Taxation	19	-	(14,929)
(LOSS)/PROFIT AFTER TAX		(56,156)	109,632
Exchange Gain/(Loss) on translating foreign operations		(3,074)	6,700
(LOSS)/PROFIT FOR THE YEAR		(59,230)	116,332
Total Comprehensive Income			
Attributable To:			
Owners of the Company		(109,442)	116,332
Non-controlling interest		50,212	-
		(59,230)	116,332
(Loss)/Profit Per Share			
Basic (Loss)/Profit Per Share (cents)	20	(0.0016)	0.0017
Diluted (Loss)/Profit Per Share (cents)	20	(0.0016)	0.0017

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital USD	Accumulated losses USD	Other reserve USD	Translation reserve USD	Total USD	Non- Controlling Interest USD	Total equity USD
At 01.01.2017	7,881,691	3,305,106	-	6,700	11,193,497	-	11,193,497
Non-controlling interest arising from acquisition of subsidiaries					-	145,535	145,535
Total comprehensive (Loss)/Profit for the year	-	(106,368)	-	-	(106,368)	50,212	(56,156)
Currency translation reserve	-	-	-	(3,074)	(3,074)	-	(3,074)
Balance at 31.12.2017	7,881,691	3,198,738	-	3,626	11,084,055	195,747	11,279,802
	Share capital USD	Accumulated losses USD	Other reserve USD	Translation reserve USD	Total USD	Non- Controlling Interest USD	Total equity USD
At 01.01.2016	3,250,993	3,195,474	-	-	6,446,467	-	6,446,467
Shares issued during the period	4,630,698	-	-	-	4,630,698	-	4,630,698
Total comprehensive Profit for the year	-	109,632	-	-	109,632	-	109,632
Currency translation reserve	-	-	-	6,700	6,700	-	6,700
Balance at 31.12.2016	7,881,691	3,305,106	-	6,700	11,193,497	-	11,193,497

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	From 01.01.2017 to 31.12.2017 USD	From 01.01.2016 to 31.12.2016 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit(Loss) before taxation		(56,156)	124,561
Adjustments for:			
- Exchange difference on translation of foreign operations		(3,074)	6,700
- Financial charges		1,410	163
- Depreciation		625,534	153,252
- Amortization		1,600	1,246
- Negative goodwill arising from acquisition of subsidiaries		(52,567)	
- Net fair value profit/(loss) on investment at fair value		(3,448,499)	-
		(2,875,596)	161,361
Operating profit before working capital changes		(2,931,752)	285,922
WORKING CAPITAL CHANGES			
(Increase)/(decrease) in current assets			
Stock in trade		(451,720)	(111,294)
Trade receivables		2,816,208	(777,683)
Deposits and other receivables		(23,451)	(2,035,588)
(Increase)/(decrease) in current liabilities			
Trade payables		480,915	174,801
Accruals and deposits received		71,179	(682,844)
Amount due to directors		-	-
		2,893,132	(3,432,608)
Cash generated from operations		(38,621)	(3,146,686)
- Finance cost paid		(1,410)	(163)
- Tax paid		-	(14,929)
Net cash inflows from operating activities		(40,031)	(3,161,778)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of properties, plant and equipment		-	
Net cash outflow from acquisition of subsidiaries	8	(56,334)	(1,419,754)
Intangibles purchased		-	(98,909)
Net cash outflows from investing activities		(56,334)	(1,518,663)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued during the period		-	4,630,698
Net advances from / (repayment to) directors		(217,776)	261,996
Net repayment of term loan		(127,078)	
Net repayment of HP creditors		(17,373)	-
Net cash inflows from financing activities		(362,227)	4,892,694
Net increase/(decrease) in cash and cash equivalents		(458,593)	212,254
Cash and cash equivalents at beginning of the period		1,122,242	909,988
Cash and cash equivalents at the end of the period		663,649	1,122,242

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

Nanopac Innovation Limited is the Group's ultimate parent company. The Company was incorporated in and under the laws of the Samoa on 7 March 2014.

The Company was listed on the National Stock Exchange of Australia on 23 July 2014. The registered office of the company is situated at Level 2, Lotemau Centre, Vaea Street, Apia, Samoa.

The Company is an investing 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 Company and of the Group for the period ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis and are presented in United States Dollars which is the Group functional currency. All financial information is presented in United States Dollars, unless otherwise stated.

2.2 Adoption of new and amended IFRSs

The Group has adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for financial periods beginning on or after 1 January 2017. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company and the Group.

2.3 IFRS not yet effective

The IASB has issued a number of new and revised IAS and IFRS which were relevant to the Group. The Group have not early adopted the following IAS and IFRS that have been issued but are not yet effective.

Reference	Description	Effective for annual periods beginning on or after
Amendments to IAS 7	Statement of Cash Flows	1 January 2017
Amendments to IAS 12	Income Taxes	1 January 2017
Amendments to IAS 102	Classification and Measurement of Share-based payment Transactions	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
Clarifications to IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES

2.4 Consolidation

The consolidated financial statements comprise the financial statements of the Group and its controlled entities as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses 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. Consolidation of a controlled entity begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

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

2.5 Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on the straight-line basis so as to write off the cost of plant and equipment net of the estimated residual values over their estimated useful lives as follows:

	Estimated useful lives	Estimated residual value as a percentage of cost
Land and building	50 years	2%
Office equipment	5 years	20%
Motor vehicles	5 years	20%
Office equipment	5 years	20%
Computer	5 years	20%
Machinery	10 years	10%
Renovation	5 years	20%

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.6 Intangible assets

Intangible assets are accounted for using the cost model with the exception of goodwill. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

Intangible assets are written off where, in the opinion of the Directors, no further economic benefits are expected to arise.

2.7 Financial assets

The Group classifies its financial assets, at initial recognition, into one of the following categories: investments at fair value through profit or loss, loans and receivables, derivative financial instruments and other financial assets, as appropriate, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Investments at fair value through profit or loss

These financial assets are designated by the Board of Directors at fair value through profit or loss at inception, which include investment in debt and equity securities upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Group.

Recognition / Derecognition:

Regular acquisitions and disposals of investments are recognised on the trade date on which the Group received acquisitions of investments or delivered disposals of investments. A fair value through profit or loss asset is derecognised when the Group loses control over the contractual rights that comprise that assets. This occurs when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Fair value through profit or loss assets that are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group commits to sell the assets.

Measurement:

Financial assets held at fair value through profit or loss is initially recognised at fair value. Transaction costs are expensed in the profit or loss. Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets held at fair value through profit or loss are presented in the profit or loss in the period in which they arise.

Dividend income from investments at fair value through profit or loss is recognised in the profit or loss within other income when the Group right to receive payments is established.

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2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.7 Financial assets-Continued

Fair value estimation:

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques in accordance with the Guidelines.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group loans and receivables comprise bridging loans and other receivables in the statement of financial position. Subsequent to initial recognition, loan and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortization process.

2.8 Financial liabilities

Trade and other payables are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using effective interest rate method, with interest expenses recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.9 Cash and cash equivalents

Cash and bank balances comprise cash in hand and at bank that are subject to an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.10 Impairment of tangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its 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 it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

If the recoverable amount of an asset /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 immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount 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, to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairments loss been recognised for the asset/cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.11 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

1) Net gain or loss on financial assets and liabilities at fair value through profit or loss

This items includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at fair value through profit or loss and excludes interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

2) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods,

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.12 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the balance sheet. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.13 Employee benefits

Defined contribution plan

The employees of the Group are required to participate in a central pension scheme operated by the government. The company are required to contribute a certain percentage of its payroll costs to the central pension scheme.

These contributions are charged to the profit or loss in the period to which the contributions relate. The Group obligations under these plans are limited to the fixed percentage contributions payable.

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
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2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet 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 reimbursement will be received and the amount of the receivable can be measured reliably.

2.15 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of comprehensive income. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit and loss statement on a straight – line basis over the lease term. The aggregated benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight – line basis.

2.16 Related Parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) Has control or joint over the Group
 - (ii) Has significant influence over the Group; or
 - (iii) Is a member of the key management personnel of the Group or of a parent of the Group

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2.16 Related Parties - continued

- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint control venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a past-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Depreciation of plant and equipment

The Group's management exercises its judgment in estimating the useful lives of the depreciable assets. The estimated useful lives reflect management's estimate of the periods the Company intends to derive future economic benefits from the use of these assets based on historical experience. Changes in expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The company depreciated plant and equipment in accordance with the accounting policies stated in Note 4.

Income Taxes

The Group's controlled entity in Malaysia is subject to income taxes in the Malaysia. The Group recognises liabilities for anticipated tax issues based on estimations of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences may impact the income tax and deferred income tax provisions in the year in which such determinations are made.

4. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. The Group is not subject to any externally imposed capital requirements. No charges were made in the objectives, policies or processes for managing capital during the financial year from 1 January 2017 to 31 December 2017.

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. PROPERTY, PLANT AND EQUIPMENT

Particulars	COST			Rate %	DEPRECIATION			WDV as on 31.12.2017
	As on 01.01.2017	Acquisition of subsidiary	Addition during the year		As on 01.01.2017	Acquisition of subsidiary	For the year	
	USD				USD			
Land and building	2 350 853	1,076 684	-	2	-	21 534	47 016	3 358 987
Motor vehicles	233 421	84 242	-	20	46 684	60 378	63 532	147 068
Office equipment	131 821	61 923	-	20	32 841	40 025	38 749	82 129
Computer	14 807	3 822	-	20	11 938	1 079	2 869	2 742.62
Machinery	4 482 804	-	-	10	3 469 095	-	448 280	565 429
Renovation	125 438	-	-	20	28 697	-	25 088	71 655
Total	7 339 144	1 226 670	-		3 589 255	123 016	625 534	4 228 008

6. INTANGIBLE ASSETS

Particulars	COST			Rate %	DEPRECIATION			WDV as on 31.12.2017
	As on 01.01.2017	Acquired in business combination	As on 31.12.2017		As on 01.01.2017	For the Period	As on 31.12.2017	
	USD				USD			
Software	8,000	-	8,000	20	3,366	1,600	4,966	3,034
Total	8,000	-	8,000		3,366	1,600	4,966	3,034

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
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7. INVESTMENTS AT FAIR VALUE

Company/Group-As at 31 December 2017

Name	Country of incorporation	Fair value hierarchy level	Proportion of ownership interest	Cost USD	Fair value USD
NSX Limited	Australia	1	16.5%	550,000	3,448,499
				550,000	3,448,499

Company/Group-As at 31 December 2016

Name	Country of incorporation	Fair value hierarchy level	Proportion of ownership interest	Cost USD	Fair value USD
-	-	-	-	-	-
				-	-

Statement of changes in investment at fair value through profit and loss

	2017 USD	2016 USD
Opening balance	-	-
Acquisition	3,448,499	-
Net profit/(loss) on financial assets		
At fair value through profit and loss	-	-
Closing balance	3,448,499	-

In accordance with IFRS 7: Financial Instruments: Disclosures, financial instruments recognised at fair value are required to be analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Valuation techniques

The fair value of financial instruments traded in active market (such as publicly traded securities) is based on quoted market prices at the reporting date.

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
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8. INVESTMENT IN SUBSIDIARIES

The consolidated financial statements include the financial statements of Nanopac Innovation Limited and its controlled entities listed in the following table.

As at 31 December 2017

Name of entity	Country of incorporation/ principal place of business	Cost of investment 2017 USD	Percentage of equity held 2017	Principal activities
<u><i>Held by the Company</i></u>				
Nanopac (M) Sdn Bhd	Malaysia	98,851	100%	Investment holding Production and distribution of Nano products
<u><i>Held through Nanopac (M) Sdn Bhd</i></u>				
(a) Nanopac Innovation (M) Sdn Bhd	Malaysia	1	100%	Dormant
(b) DNA Petrochem Sdn Bhd ("DNA")	Malaysia	24,050	51%	Trading in base oil
(c) Sega Lubricant Sdn Bhd ("SEGA")	Malaysia	74,858	51%	Trading in automotive oil

As at 31 December 2016

Name of entity	Country of incorporation/ principal place of business	Cost of investment 2016 USD	Percentage of equity held 2016	Principal activities
<u><i>Held by the Company</i></u>				
Nanopac (M) Sdn Bhd	Malaysia	98,851	100%	Investment holding Production and distribution of Nano products

Note: All subsidiaries are not audited by CK & Associates.

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Acquisition of subsidiaries

The company acquired 74,858 ordinary shares of USD1.00 each in SEGA and 24,050 ordinary shares of USD1.00 each in DNA for a consideration of USD74,858 and USD24,050 respectively. Consequently, SEGA and DNA became the 51% owned subsidiary companies.

The acquisition had the following effect on the Group's financial results for the financial year:

	2017
	USD
Revenue	1,771,855
Cost of sales	<u>(1,355,799)</u>
Gross profit	416,057
Other operating income	39,069
Administrative and operating expenses	<u>(351,243)</u>
Profit from operations	103,883
Finance costs	<u>(1,410)</u>
Profit before tax	102,473
Taxation	<u>-</u>
Total comprehensive income for the year	<u><u>102,473</u></u>
Attributable to:	
Owners of the Company	52,261
Non-controlling interests	<u>50,212</u>
	<u><u>102,473</u></u>

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
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Acquisition of subsidiaries (Cont'd)

Details of net assets acquired, negative goodwill and cash flows arising from the acquisition were as follows:

	At date of acquisition In 2017 USD
Plant and equipment	1,103,654
Inventories	98,648
Trade and other receivables	271,176
Cash and bank balances	42,574
Trade and other payables	(357,951)
Amount due to directors	(63,121)
Term loan (secured)	(790,405)
Current tax liabilities	(5,754)
Deferred tax liabilities	(1,810)
Total identifiable net assets acquired	297,010
Non-controlling interest share of net assets	(145,535)
	151,475
Negative goodwill on acquisition	(52,567)
Cost of acquisition	98,908
Total purchase consideration, discharged by cash	(98,908)
Cash and cash equivalents of subsidiary acquired	42,574
Cash outflow of the Group on acquisition	(56,334)
Cash outflow of the Company on acquisition	(98,908)

9. AMOUNTS DUE FROM CONTROLLED ENTITY

Amounts due from controlled entity is non-interest bearing with term of 18 months and denominated in the United States Dollar.

10. OTHER RECEIVABLES

	The Company		The Group	
	2017	2016	2017	2016
	USD	USD	USD	USD
Other receivables	-	-	2,121,575	2,098,124
	-	-	2,121,575	2,098,124

Other receivables is non-interest bearing with term of 18 months and denominated in the United States Dollar.

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
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11. CASH AND CASH EQUIVALENTS

	The Company		The Group	
	2017	2016	2017	2016
	USD	USD	USD	USD
Cash and cash at bank	<u>1</u>	<u>1</u>	<u>663,649</u>	<u>1,122,242</u>

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	2017	2016	2017	2016
	USD	USD	USD	USD
United States Dollar	1	1	256,598	699,486
Malaysia Ringgit			157,606	198,725
Hong Kong Dollar			75,955	65,795
Euro Dollar			173,490	158,236
	<u>1</u>	<u>1</u>	<u>663,649</u>	<u>1,122,242</u>

12. SHARE CAPITAL

	Company and Group			
	No of ordinary shares of USD0.1125 each		Amount	
	2017	2016	2017	2016
			USD	USD
As at 1 January 2017	70,000,000	46,846,500	7,881,691	3,250,993
Issued during the year	-	23,153,500	-	4,630,698
As at 31 December 2017	<u>70,000,000</u>	<u>70,000,000</u>	<u>7,881,691</u>	<u>7,881,691</u>

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder or its proxy, attorney or representative has one vote on a show of hands.

13. TERM LOAN

	The Company		The Group	
	2017	2016	2017	2016
	USD	USD	USD	USD
<u>Current</u>				
Term loan (secured)	-	-	96,025	138,879
	<u>-</u>	<u>-</u>	<u>96,025</u>	<u>138,879</u>

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<u>Non-current</u>	The Company		The Group	
	2017	2016	2017	2016
	USD	USD	USD	USD
Term loan (secured)	-	-	706,181	-
	-	-	706,181	-

The effective interest rates at reporting date for the above term loan was as follow:

	The Company		The Group	
	2017	2016	2017	2016
Term loan (secured)	4.65%	4.65%	4.65%	4.65%

The above term loan was secured by way of:-

- (a) First party legal charge over the leasehold land and factory buildings; and
- (b) Joint and several guarantee by certain directors of the Group.

14. OTHER PAYABLES

	The Company		The Group	
	2017	2016	2017	2016
	USD	USD	USD	USD
Other payables	-	-	78,743	-
	-	-	78,743	-

15. AMOUNT DUE TO DIRECTORS

The amount due to directors is non-trade in nature, unsecured, interest-free and repayable as and when the Company has resources to do so. Amount is denominated in United States Dollar.

16. REVENUE

	The Group	
	From	From
	01.01.2017 to	01.01.2016 to
	31.12.2017	31.12.2016
	USD	USD
Sales of goods	2,942,695	2,313,814

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17. (LOSS)/PROFIT BEFORE INCOME TAX

	The Group	
	From 01.01.2017 to 31.12.2017 USD	From 01.01.2016 to 31.12.2016 USD
Profit/(loss) before tax have been arrived at after charging:	(56,156)	124,561
Amortisation of intangible assets	1,600	1,246
Depreciation expense	625,534	153,252
Employee benefit expense (Note 18)	142,953	139,442
Interest expense	1,410	163

18. EMPLOYEE BENEFITS EXPENSE

	The Group	
	From 01.01.2017 to 31.12.2017 USD	From 01.01.2016 to 31.12.2016 USD
Employee benefit expense (including Key management personnel)		
- Salary	142,953	139,442

19. INCOME TAX EXPENSE

	The Group	
	From 01.01.2017 to 31.12.2017 USD	From 01.01.2016 to 31.12.2016 USD
Current tax for the financial year/period	-	14,929

Provision for enterprise income tax of the subsidiaries operating in the Malaysia is made in accordance with the Income Tax Law of the Malaysia concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws.

Taxation has been provided at the appropriate tax rates prevailing in Malaysia and Hong Kong in which the Group operates on the estimated assessable profits for the financial period. These rates generally range from 16.50% to 25% for the reporting period.

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

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	The Group	
	From 01.01.2017 to 31.12.2017 USD	From 01.01.2016 to 31.12.2016 USD
(Loss)/Profit before income tax	(56,156)	124,561
Tax at applicable tax rate	(14,039)	31,140
Tax effect of non-taxable revenue	-	(15,263)
Tax effect of non-deductible expenses	13,958	(915)
Others-unabsorbed loss	81	(33)
Tax for the financial period	-	14,929

No deferred tax has been provided, as the Group did not have any significant temporary differences which gave rise to a deferred tax asset or liability at the reporting date.

20. (LOSS)/PROFIT PER SHARE

The Group

The profit/(loss) per share is calculated based on the consolidated profit/(loss) attributable to owners of the parent divided by the weighted average number of shares on issue of 70,000,000 (2016: 70,000,000) shares during the financial year/period.

The following table reflects the profit or loss and share data used in the computation of diluted profit/(loss) per share from continuing operations for the financial period ended 31 December:

	The Group	
	From 01.01.2017 to 31.12.2017	From 01.01.2016 to 31.12.2016
Weighted average number of ordinary Shares for the purpose of calculating diluted (loss)/profit per share	70,000,000	70,000,000

	The Group	
	From 01.01.2017 to 31.12.2017 USD	From 01.01.2016 to 31.12.2016 USD
(Loss)/profit for the purpose of calculating basic and diluted profit/(loss) per share	(109,442)	116,332

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21. DIVIDENDS

During the current financial year, no dividend was proposed declared or paid.

22. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the 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:

	The Group	
	2017	2016
	USD	USD
Hong Kong Dollar	7.8118	7.7548
Malaysia Ringgit	4.0465	4.4860
Euro Dollar	0.8333	0.9503

23. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and reporting decisions. Parties are also considered to be related if they are subject to common control.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the company and related parties took place at term agreed between the parties during the financial period:-

Compensation of key management personnel

Key management personnel of the company are those person having the authority and responsibility for planning, directing and controlling the activities of the company.

	The Group	
	2017	2016
	USD	USD
Director remuneration (Note 25)	91,000	91,000
Amount due to directors	202,052	356,707

24. 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 all of the Group's revenue was generated in Malaysia, no geographical information is presented in accordance with IFR8-Operating Segments.

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25. FAIR VALUES AND FAIR VALUES HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents, other receivables, other payables and amount due from/to controlled entity/directors approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

26. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

KMP Remuneration

The total remuneration paid to KMP of the Company and the Group during the year is as follows:

	The Group	
	2017	2016
	USD	USD
Short-term employee benefits		
- Salaries and bonus	91,000	91,000

KMP Shareholdings

The number of ordinary shares in Nanopac Innovation Limited held by each KMP of the Group during the financial year is as follows:

	Balance as at 01.01.2017	Disposed during the period	Acquired during the period	Balance as at 31.12.2017
The Group				
Dato Dr Cheng Kok Leong	26,250,000	-	-	26,250,000
Jeff Ho Chin Soon	5,336	-	-	5,336

Dato Dr Cheng Kok Leong and Jeff Hi Chin Soon who served during the financial year.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company and the Group are exposed to financial risks arising from its operations and use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Company's and the Group'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 Company's and the Group'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 co-operation with the Group's 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.

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from cash and cash equivalents and other receivables. For other receivables, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The Company's and the Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

Cash and cash equivalents are held with reputable financial institutions.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management.

Exposure to credit risk

The maximum exposure to credit risk for each class of the Company's and the Group's financial instruments areas following:

	The Company		The Group	
	2017	2016	2017	2016
	USD	USD	USD	USD
Cash and cash equivalents	1	1	663,649	1,122,242
Other receivables			2,121,575	2,098,124
	1	1	2,785,224	3,220,366

Liquidity risk

Liquidity risk is the risk that the Company or the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company and the Group manage liquidity risk by monitoring forecast cash flows. As at the financial year/period end the Group has cash and cash equivalent of USD663,649 (2016:USD1,122,242).

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Liquidity risk-Cont'd

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year USD	Between 2 -5 years USD	Over 5 years USD	Total USD
The Group 2017				
Other payables	78,743	-	-	78,743
Amount due to directors	-	202,052	-	202,052
	78,743	202,052	-	280,795
	Less than 1 year USD	Between 2 -5 years USD	Over 5 years USD	Total USD
The Group 2016				
Other payables	-	-	-	-
Amount due to directors	-	356,707	-	356,707
	-	356,707	-	356,707
	Less than 1 year USD	Between 2 -5 years USD	Over 5 years USD	Total USD
The Company 2017				
Other payables	-	-	-	-
Amount due to directors	-	-	-	-
	-	-	-	-
	Less than 1 year USD	Between 2 -5 years USD	Over 5 years USD	Total USD
The Company 2016				
Other payables	-	-	-	-
Amount due to directors	-	-	-	-
	-	-	-	-

NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Interest rate risk

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

The Group and Company are not exposed to any interest rate risk as there are no interest-bearing financial instruments.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group is not exposed to any significant foreign currency risk because the main operation for the Group is in China which is not exposed any significant foreign currency 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. CONTINGENCIES AND COMMITMENTS

The Company and Group had neither contingent liabilities/assets nor any financial commitments as at 31 December 2017.

28. COMPARATIVE INFORMATION

The comparative figures are from the period from 1 January 2016 to 31 December 2016. The current results presented are from 1 January 2017 to 31 December 2017.

29. EVENTS AFTER THE REPORTING PERIOD

DNA Petrochem Sdn Bhd has entered into the Facilitation Agreement with NanoMalaysia Berhad (a fully owned company by the Ministry of Science, Technology and Innovation Malaysia) in relation to the "Product Development of Graphene-Enhanced Engine Oil for Automotive Applications" under the National Graphene Action Plan.

Nanopac (M) Sdn Bhd has entered into an Agreement with NanoMalaysia Berhad (a fully owned company by Ministry of Science, Technology and Innovation Malaysia) on Consultancy Research Agreement. In addition, the current on-going projects for Nanopac (M) Sdn Bhd are Swiftlet Eco Park IoT project and Aqua Farming Project located at Terengganu, Malaysia.

Due to the down turn of property markets and the last AGM, Nano Valley project development and activities have been temporary slow down and still waiting for the development order as well as special incentives from both state Government and Federal Government.

STOCK EXCHANGE INFORMATION

TOP 20 ORDINARY SHAREHOLDERS AS AT 28 March 2018

Top 20 Holdings as at 28-03-2018

Nanopac Innovation Limited

CHESS Depositary Interests Over Fully Paid

Ordinary Shares

Name	Balance as at 28-03-2018	%
DATO DR CHENG KOK LEONG	15,221,172	25.879%
J P MORGAN NOMINEES AUSTRALIA LIMITED	13,489,140	22.934%
NANOPAC CO LTD	6,000,000	10.201%
MRS CHOY MAY CHAN	2,589,842	4.403%
CHENG KOK LEONG	1,737,007	2.953%
LEE TAI KYU	1,500,000	2.550%
OOI CHOO HUAT	1,026,174	1.745%
MS WAI YEE CHIN <MR BRYAN HONG MING A/C>	1,000,000	1.700%
CHONG AI LEE	644,887	1.096%
GOH POI LENG	467,690	0.795%
CHENG KOK KEONG	460,538	0.783%
HO NYUK LAM	330,809	0.562%
LAI YIN TING	300,000	0.510%
YONG VOON KIEN	300,000	0.510%
LAI KOK VOON	200,000	0.340%
CHIA CHUI HOONG	200,000	0.340%
POH GEOK SOO	197,998	0.337%
CHNG SEK KIAM	189,490	0.322%
LIM CHENG KEAT	182,469	0.310%
CHANG CHU KIAN	170,401	0.290%
Total Securities of Top 20 Holdings	46,207,617	78.562%
Total of Securities	58,816,917	

Analysis of Holdings as at 28– 03-2018**Security Classes****CHESS Depository Interests over Fully Paid Ordinary Shares**

Holdings Ranges		Holder s	Total Units	%
1-1000	10	4,526	0.008	
1001-5000	231	1,061,508	1.805	
5001 -10000	306	2,275,729	3.869	
10001-100000	297	7,800,000	13.262	
100001-99999999	31	47,674,994	81.057	
Totals	875	58,816,917	100.00	

Substantial Shareholders as at 28-03-2018

Substantial Shareholder	Number of Shares	%
Dato Dr Kok Loeong Chen	15,221,172	25.879%
JP Morgan Nominees	13,489,140	22.934%
Nanopac Co Ltd	6,000,000	10.201%

Nanopac Innovation Limited

ARBN 169 020 580

CORPORATE DIRECTORY

DIRECTORS

Dr Cheng Kok Leong

CHIN WOI HO

SECRETARY

Andrew Bristow - Australia

Westco Secretaries Ltd - Samoa

REGISTERED OFFICE – SAMOA

c/- ASIACITI TRUST SAMOA LTD

2nd Floor, Building B

SNPF Plaza

Sausalino

APIA SAMOA

REGISTERED OFFICE – AUSTRALIA

C/- HIGHGATE CORPORATE ADVISORS PTY LTD

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KELLYVILLE NSW 2155

Mob: 0403192 230

NOMINATED ADVISOR

HIGHGATE CORPORATE ADVISORS PTY LTD

31 Highgate Cct

KELLYVILLE NSW 2155

Mob: 040319230

AUDITOR

CK & Associates

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MALAYSIA

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