NANOPAC INNOVATION LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED APRIL 30, 2014

IQBAL YASIN & COMPANY
CHARTERED ACCOUNTANTS

IQBAL YASIR & COMPANY
CHARTERED ACCOUNTANTS
FOSTERING FINANCIAL EXCELLENCE

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated statement of financial position of NANOPAC INNOVATION LIMITED (the parent company) and its subsidiary NANOPAC (M) SDN BHD (the company and its subsidiary constitute the group) as at April 30, 2014 and the related consolidated profit and loss account, consolidated statement of changes in equity, consolidated statement of cash flows together with the notes forming part thereof for the period from April 7, 2014 to April 30, 2014.

We have also expressed opinion on the separate financial statements of the holding company. The financial statements of subsidiary company have been audited by other firm of Chartered Accountants who expressed unqualified opinion on these financial statements and whose reports have been furnished to us.

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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Our opinion, in so far as it relates to the amounts and disclosures included in respect of the subsidiary not audited by us, is based solely on the reports of such other auditors.

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

Lahore
Date: 30 JUN 2014

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

Registered Company Auditors

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

Islamabad Office:
Room No 2, 2nd Floor,
Pacific Centre, F-8 Markaz, Islamabad.
Ph: 051-2853536 **Fax:** 051-2263636
Emial:iyk.co.isb@gmail.com

NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30, 2014

	Note	USD
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	4	1,106,373
		1,106,373
CURRENT ASSETS		
Inventories	5	37,309
Trade receiveables	6	778,433
Advances, deposits and other receivables	7	874,437
Cash and bank balance		935,513
		2,625,692
TOTAL ASSETS		3,732,065
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized share capital	8	14,000,001
Issued, subscribed and paid up capital		575,000
Consolidated retaind earnings	9	2,877,155
		3,452,155
CURRENT LIABILITIES		
Trade creditors	10	123,222
Amount due to directors		156,688
		279,910
TOTAL EQUITY AND LIABILITIES		3,732,065

The annexed notes from 1 to 14 form an integral part of these financial statements.

DIRECTOR
CHENG KOK LEONG
DATE: 30 JUNE 2014

DIRECTOR
TANG TUNG KEN
DATE: 30 JUNE 2014

NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD FROM MARCH 7, 2014 TO APRIL 30, 2014

	Note	USD
PROFIT AND LOSS ACCOUNT:		
Revenue	11	341,744
Cost of sales		(95,302)
Gross profit		246,441
Administrative expenses		58,133
Selling and marketing expenses		12,447
Other operating expenses		80,409
		(150,990)
Operating profit		95,452
Bargain purchase gain on acquisition of subsidiary		2,763,848
Finance cost		(14)
Profit before tax		2,859,286
Tax		-
Profit after tax		2,859,286
OTHER COMPREHENSIVE INCOME:		
Items that may be reclassified subsequently to profit or loss:		
Exchange Gain/(Loss) on translating Foreign Operations		17,868
Income tax relating to items that may be reclassified		-
		17,868
Other comprehensive income for the period, net of tax		17,868
Items that will not be reclassified to profit or loss:		
Income tax relating to items that will not be reclassified		-
Total comprehensie income for the period		2,877,154

The annexed notes from 1 to 14 form an integral part of these financial statements.

DIRECTOR
CHENG KOK LEONG
DATE: 30 JUNE 2014

DIRECTOR
TANG TUNG KEN
DATE: 30 JUNE 2014

NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM MARCH 7, 2014 TO APRIL 30, 2014

	Share Capital	Reserves	Other Comprehensive Income	Total
	USD			
Shares issued during the period	575,000	-	-	575,000
Total comprehensive income for the period	-	2,859,286	-	2,859,286
Exchane gain on Translating Foreign Operations	-	-	17,869	17,869
Balance as at April 30, 2014	575,000	2,840,195	17,869	3,452,155

The annexed notes from 1 to 14 form an integral part of these financial statements.

DIRECTOR
CHENG KOK LEONG
DATE: 30 JUN 2014

DIRECTOR
TANG TUNG KEN
DATE: 30 JUN 2014

NANOPAC INNOVATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM MARCH 7, 2014 TO APRIL 30, 2014

	Note	USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		2,859,286
Adjustments for:		
financial charges		14
Bargain purchase gain in acquiring subsidiary		(2,763,848)
- Exchange Gain on translating foreign operations		17,869
		(2,745,965)
Operating profit before working capital changes		113,321
WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets		
Inventories		3,404
Trade receiveables		(4,086)
Advances, deposits and other receivables		(36,039)
Increase/(decrease) in current liabilities		
Trade creditors		647
Accrued and other liabilities		822
		(35,252)
Cash generated from operations		78,069
Less: financial charges paid		(14)
income taxes paid		-
Net cash outflows from operating activities		78,055
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets purchased		(5,808)
Cash of subsidiary NANAPOC (M) SDN. BHD acquired		863,266
Net cash inflows from investing activities		857,458
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued during the period		-
Net cash inflows from financing activities		-
Net increase/(decrease) in cash and cash equivalents		935,513
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at the end of the period		935,513

The annexed notes from 1 to 14 form an integral part of these financial statements.

DIRECTOR

CHENG KOK LEONG

DATE: 30 JUN 2014

DIRECTOR

TANG TUNG KEN

DATE : 30 JUN 2014

NANOPAC INNOVATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM MARCH 7, 2014 TO APRIL 30, 2014

1. STATUS AND NATURE OF BUSINESS

The group consists of the following companies:

1.1 Holding company

Nanopac Innovation Limited was incorporated under the International Companies Act, 1987 in Samoa as an international company on the March 07, 2014. The registered office of the company is situated at Level2, Lotemau Centre, Vaea Street, Apia, Samoa. The principal activities of the company are investment holding and engaged in manufacturing, supplying, importing, exporting of nano technology products, photo catalyst power, coating solution and chemical solutions of every description.

1.2 Subsidiary company

Nanopac (M) SDN. BHD. (634805-K) is a private limited liability company incorporated and domiciled in Malayasia. The principal activities of the company are investment holding and engaged in manufacturing, supplying, importing, exporting of nano technology products, photo catalyst power, coating solution and chemical solutions of every description.
There have been no significant changes in the nature of these activities during the financial year.

The registered office of the company is as follows:

67-1, Jalan Puteri 5/7
Bandar Puteri
47100 Puchong.
Selangor Darul Ehsan.

The address of the principal place of business of the company is as follows:

No.27, Jalan Rajawali 2,
Bandar Puchong Jaya,
47100 Puchong,
Selangor Darul Ehsan.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the comapany and its subsidiary made up to April 30, 2014 using uniting of interest method.
Under the uniting of interest method, the cost of the bussiness combination is measured at the agregate of the fair values at the date of exchange, of asssets given, liabilities incurred or assumed, and equity.
At the acquisition date, the cost of the business combination is allocated to identifiable assets,liabilities and contingent liabilities in the business combination which are measured initially at closing values at the acquisition date.The excess of the cost of the business combination over the Group's interest in the net closing value of the identifiable assets,liabilities and contingent liabilites, the group will:

A). reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination;and
B). recognise immediately in profit or loss any excess remaining after that assessment.
Subsiadiaries are conslidated from the acquisition date, which is the date on which the group effectively obtains control, untill the date on which the group ceases to control tha subsidiaries.Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activites.In assesing control, potential voting rights that are exercisable are taken into the account.
Intragroup balances. transactions and unrealised gains and losses on the intragroup transactions are eleminated in full.Intragroup lossess may indicate an impairment that requires recognition in the consolidated financial statements.If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances ,appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.
The Gain or loss on the disposal of a subsidiary, which the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange differences that relate to the subsidary, is recognized in the consolidated statement of comprehensive income.
Under the purchse method of accounting ,the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus costs directly attributealbe to the business combination .Minority's interests is that portion of the profit or loss and net assets of the subsidiary attributable to the equity intrests that are not owned,directly and indirectly through subsidiaries, by the group. It is measured at the minority's shre of the fair value of the subsidiaries identifiable assets and liabilities at the acquisition date and the monrity's share of changes in the subsidiaries equity since that date.
When lossess applicable to the minority in a subsidiary exceed the minority's interest in the equity of that subsidiary , the excess and any further losses applicable to minority are allocated against the Group's interest except to the extent that the minority has a binding obligation and is liable to make additional investment to cover the losses.If the subsidiary subsequently reports the profits, such profits are allocated to the group's interest untill the minority's share of losses previously absorbed by the group has been recovered.
Minority interests is presented in the consolidated statement of financial position within

2.2 Statement of compliance

These financial statements have been prepared in accordance with the International Accounting Standards and the requirements of the International Companies Act, 1987.

3. SIGNIFICANT OF ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements of the group and of the company have been prepared under the historical cost convention.

3.2 Property, plant and equipment

Plant and equipment are stated at cost less accumulated depriciation and impairment losses.
The plant are dericiated on the straight line basis to write off the cost of the assets to their residual value over their estimated useful life.

3.4 Inventories

Inventories are stated at the lower of cost and net realisable value and are determined on the first-in first-out basis.Cost includes the actual cost of materials and incidentals in bringing the inventories to their present location and condition. In arriving at the net realizable value.due allowance is made for obsolete and slow moving inventories.

3.5 Trade receivables

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

3.6 Trade creditors

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

3.7 Cash and cash equivalent

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

3.8 Taxation

Income tax on the profit and loss for the financial year comprises current and deferred tax.Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.Deferred tax is provided for, using he liability method,on temporary differences at the balance sheet date between the tax bases of assets and liabilities are their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences,unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.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 the deferred taxes relate to the same tax authority.

3.9 Foreign currencies

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

3.10 Translation of foreign operations

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

3.11 Functional currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. The financial statements of subsidiary Nanopac (M) SDN. BHD. is consolidated at the rate of 1 MYR= 0.30509 USD at the acquistion date of 8 April, 2014 and 1 MYR= 0.3067 USD at the reporting date of April 30, 2014.

3.12 Revenue recognition

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

3.13 Impairment of assets

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's net selling price and value in use.An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. The impairment loss is charged to the income statement immediately.Any subsequent increase in recoverable amount of an asset is recognised as reversal of previous impairment loss and should not exceed he carrying amount that would have been determined (net of depreciation, if applicable) had no impairment loss been previously recognised for the asset.

3.14 Financial Instruments

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

4. PROPERTY, PLANT AND EQUIPMENT

Particulars	COST			Rate %	DEPRECIATION			WDV as on April 30, 2014
	As on March 07, 2014	Acquired in business combination	As on April 30, 2014		As on March 07, 2014	For the Period	As on April 30, 2014	
	--------(USD)-------				------------(USD)------------			
Furniture and fittings	-	5,804	5,804		-	-	5,804	-
Office equipment	-	7,702	7,702	20	-	-	5,357	2,345
Computer	-	9,171	9,171	20	-	-	8,240	931
Machinery	-	3,684,947	3,684,947	20	-	-	2,583,558	1,101,389
Renovation	-	4,579	4,579	20	-	-	2,871	1,708
Total	-	3,712,203	3,712,203		-	-	2,605,830	1,106,373

		USD
5.	**INVENTORIES - AT COST**	
	- Nano technology products	37,309

6. **TRADE RECEIVABLES**

The Company's normal trade credit terms vary from 30 to 60 days. Other trade credit terms are assessed and approved on a case-by-case basis.

7.	**ADVANCES, DEPOSITS AND OTHER RECEIVABLES**	
	Other receivable	880,280
	Deposits	3,565
	Prepayments	-
		883,845

8.	**SHARE CAPITAL**	
	Authorized share capital	
	1,000,000,000 ordinary shares of USD 0.01 each	10,000,000
	400,000,000 convertible shares of USD 0.01 each	4,000,000
	1 founder share of USD 1.00 each	1
		14,000,001
	Issued, subscribes and paid up share capital	
	37,500,000 ordinary shares of US $ 0.01 each	375,000
	20,000,000 convertible preferred shares of US $ 0.01 each	200,000
		575,000

9. **RESERVES**

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

10. **TRADE CREDITORS**

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

11. **REVENUE**

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

12. FINANCIAL RISK MANAGEMENT

12.1 Financial risk factors

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

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

Market risk

Liquidity risk

Credit risk

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

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

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

(a) Market risk

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

(i) Currency risk

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

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

(ii) Interest rate risk

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

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

At the balance sheet date the interest rate profile of the Group's interest bearing financial

(iii) Interest rate risk management

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

(b) Credit risk

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

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

(c) Liquidity risk

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

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

The table below analysis the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flow.

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years
As at April 30, 2014	-------- (USD) ---------			
Accrued expenses and other	156,688	-	156,688	-
	156,688	-	156,688	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June. The rates of mark up have been disclosed in respective notes to the financial statements.

12.2 Fair values of financial assets and liabilities

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

Financial instruments by categories	Held to Maturity	Available for sale	Loans, receivables/ payables
	-------- (USD) ---------		
Assets as per balance sheet			
Trade receivables	-	-	778,433
Cash and bank balance	935,513	-	-
	935,513	-	778,433
Liabilities as per balance sheet			
Trade creditors	-	-	123,222
	-	-	123,222

12.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support the Group.

13. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved and authorized for issue on 30 June 2014 by the Board of Directors of the parent company.

14. GENERAL

- Figures have been rounded off to the nearest US Dollar.

DIRECTOR
CHENG KOK LEONG
DATE : 30 JUN 2014

DIRECTOR
TANG TUNG KEN
DATE: 30 JUN 2014