

NANOPAC INNOVATION LIMITED
REVIEWED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2014



WILLIAMSON TOWERS PERRIN
CHARTERED ACCOUNTANTS



IQBAL YASIR & COMPANY

CHARTERED ACCOUNTANTS

FOSTERING FINANCIAL EXCELLENCE

REVIEW REPORT ON FINANCIAL STATEMENTS

We have reviewed the annexed financial statements of NANOPAC INNOVATION LIMITED, which comprise the statement of financial position as at June 30, 2014, and the statement of comprehensive income and statement of changes in equity for the half year then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards, 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.

Our responsibility is to express a conclusion on the annexed financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400, Engagements to Review Historical Financial Statements. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

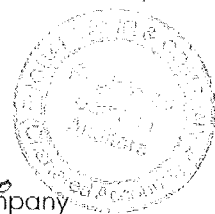
A review of financial statements in accordance with ISRE 2400 is a limited assurance engagement. The reviewer performs procedures, primarily consisting of making inquiries of management and others within the company, as appropriate, and applying analytical procedures, and evaluates the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of the company as at June 30, 2014, and of its financial performance for the half year then ended, in accordance with the International Financial Reporting Standard.

Lahore

Dated: 26 AUG 2014

Iqbal Yasir
Iqbal Yasir and Company
(Chartered Accountants)



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
Email: iyk.co.isb@gmail.com

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

	Note	USD 2014
<u>ASSETS</u>		
NON CURRENT ASSETS		
Property, plant and equipment	4	1,662,753
Intangible assets	5	7,834
		<u>1,670,587</u>
CURRENT ASSETS		
Inventories	6	39,656
Trade receivables	7	1,046,357
Advances, deposits and other receivables	8	191,017
Cash and bank balance		1,422,992
		<u>2,700,022</u>
TOTAL ASSETS		<u><u>4,370,609</u></u>
<u>EQUITY AND LIABILITIES</u>		
SHARE CAPITAL AND RESERVES		
Authorized share capital	9	14,000,001
Issued, subscribed and paid up capital		700,000
Consolidated retained earnings	10	3,074,884
		<u>3,774,884</u>
CURRENT LIABILITIES		
Trade payables	11	264,387
HP creditors		50,626
Accruals and deposits received		121,063
Amount due to directors		159,647
		<u>595,725</u>
TOTAL EQUITY AND LIABILITIES		<u><u>4,370,609</u></u>
CONTINGENCIES AND COMMITMENTS		
	12	-

The annexed notes from 1 to 16 form an integral part of these financial statements.


DIRECTOR
CHENG KOK LEONG


DIRECTOR
TANG TUNG KEN



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

	Note	USD 2014
<u>PROFIT AND LOSS ACCOUNT:</u>		
Revenue	13	1,146,935
Cost of sales		(635,317)
Gross profit		511,618
Administrative expenses		132,004
Selling and marketing expenses		64,033
Other operating expenses		41,193
		(237,230)
Operating profit		274,388
Bargain purchase gain on acquisition of subsidiary		2,763,848
Finance cost		(2,729)
		2,761,119
Profit before tax		3,035,507
Tax		-
Profit after tax		3,035,507
<u>OTHER COMPREHENSIVE INCOME:</u>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange Gain/(Loss) on translating Foreign Operations		69,377
Income tax relating to items that may be reclassified		-
		69,377
Other comprehensive income for the period, net of tax		69,377
<i>Items that will not be reclassified to profit or loss:</i>		
Income tax relating to items that will not be reclassified		-
Total other comprehensive income		69,377
Total comprehensive income for the period		3,104,884

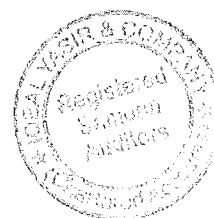
The annexed notes from 1 to 16 form an integral part of these financial statements.



DIRECTOR
CHENG KOK LEONG



DIRECTOR
TANG TUNG KEN



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

	Share Capital	Reserves	Other Comprehensiv e Income	Total
	-----USD-----			
Shares issued during the period	700,000	-	-	700,000
Total profit for the period	-	3,035,507	-	3,035,507
Exchange gain on Translating Foreign Operations	-	-	69,377	69,377
Cost of issuance of new shares	-	(30,000)	-	(30,000)
Balance as at June 30, 2014	700,000	3,005,507	69,377	3,774,884

The annexed notes from 1 to 16 form an integral part of these financial statements.



DIRECTOR
CHENG KOK LEONG



DIRECTOR
TANG TUNG KEN




NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM MARCH 7, 2014 TO JUNE 30, 2014

	Note	USD 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		3,005,507
Adjustments for:		
- financial charges		2,729
- Bargain purchase gain in acquiring subsidiary		(2,763,848)
- Exchange Gain on translating foreign operations		69,377
		<u>(2,691,742)</u>
Operating profit before working capital changes		313,765
WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets		
Inventories		1,057
Trade receivables		(272,010)
Advances, deposits and other receivables		647,381
Increase/(decrease) in current liabilities		
Trade payables		141,812
HP creditors		50,626
Accruals and deposits		121,063
Amount due to directors		3,782
		<u>693,710</u>
Cash generated from operations		1,007,475
Less: financial charges paid		(2,729)
income taxes paid		-
Net cash outflows from operating activities		1,004,746
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets purchased		(562,188)
Intangible assets purchases		(7,834)
Cash of subsidiary NANAPOC (M) SDN. BHD acquired		863,268
Net cash inflows from investing activities		293,246
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued during the period		125,000
Net cash inflows from financing activities		125,000
Net increase/(decrease) in cash and cash equivalents		1,422,992
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at the end of the period June 30, 2014		1,422,992

The annexed notes from 1 to 16 form an integral part of these financial statements.


DIRECTOR
CHENG KOK LEONG


DIRECTOR **TANG TUNG KEN**



NANOPAC INNOVATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM MARCH 7, 2014 TO JUNE 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 Level 2, Lotemau Centre, Vaea Street, Apia, Samoa. The principal activities of the company are investment holding and engaged in manufacturing, supplying, importing, exporting of nano technology products, photo catalyst power, coating solution and chemical solutions of every description.

1.2 Subsidiary company

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

The registered office of the company is 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.

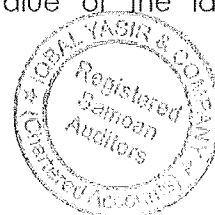
2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary made up to June 30, 2014 using uniting of interest method.

Under the uniting of interest method, the cost of the business combination is measured at the aggregate of the fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity.

At the acquisition date, the cost of the business combination is allocated to identifiable assets, liabilities and contingent liabilities in the business combination which are measured initially at closing values at the acquisition date. The excess of the cost of the business combination over the Group's interest in the net closing value of the identifiable assets, liabilities and contingent liabilities, the group will:



A). Reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and B). Recognise immediately in profit or loss any excess remaining after that assessment.

Subsidiaries are consolidated from the acquisition date, which is the date on which the group effectively obtains control, until the date on which the group ceases to control the subsidiaries. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into the account.

Intragroup balances, transactions and unrealised gains and losses on the intragroup transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing consolidated financial statements.

The gain or loss on the disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange differences that relate to the subsidiary, is recognized in the consolidated statement of comprehensive income.

Under the uniting of interest method, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued. Non controlling interest is that portion of the profit or loss and net assets of the subsidiary attributable to the equity interests that are not owned, directly and indirectly through subsidiaries, by the group. It is measured at the Non controlling interest share of the fair value of the subsidiaries identifiable assets and liabilities at the acquisition date and the Non controlling interest share of changes in the subsidiaries equity since that date.

2.2 Statement of compliance

These financial statements have been prepared in accordance with the International Financial and Reporting Standards and the requirements of the Samoa's International Companies Act, 1987. In case requirements differ, the provisions or directives of the International Companies Act, 1987 shall prevail.

3. 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 depreciation and impairment losses.

The plants are depreciated on the reducing balance method to write off the cost of the assets to their residual value over their estimated useful life.

3.3 Intangible assets

Intangible assets comprise of patents stated at a cost and is amortised on a straight line basis over its 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 the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and 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 acquisition date of 8 June, 2014 and 1 MYR= 0.312302 USD at the reporting date of June 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 the 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.

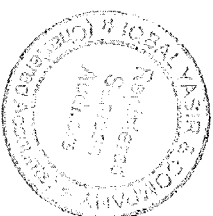


4. PROPERTY, PLANT AND EQUIPMENT

Particulars	C O S T			Rate %	D E P R E C I A T I O N			WDV as on June 30, 2014
	As on March 07, 2014	Acquired in business combination	As on June 30, 2014		As on March 07, 2014	For the Period	As on June 30, 2014	
	----- (USD) -----				----- (USD) -----			
Furniture and fittings	-	6,674	6,674	-	-	6,674	-	
Office equipment	-	8,856	8,856	20	-	5,357	3,499	
Computer	-	10,545	10,545	20	-	8,240	2,305	
Machinery	-	4,238,202	4,238,202	20	-	2,583,558	1,654,644	
Renovction	-	5,176	5,176	20	-	2,871	2,305	
Total	-	4,269,453	4,269,453		-	2,606,700	1,662,753	

5. INTANGIBLE ASSETS

Particulars	C O S T			Rate %	D E P R E C I A T I O N			WDV as on June 30, 2014
	As on March 07, 2014	Acquired in business combination	As on June 30, 2014		As on March 07, 2014	For the Period	As on June 30, 2014	
	----- (USD) -----				----- (USD) -----			
Software	-	8,000	8,000		-	166	166	7,834
Total	-	8,000	8,000		-	-	166	7,834



USD
2014

6. INVENTORIES - AT COST

- Nano technology products

39,656

7. 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.

8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Other receivable

187,452

Deposits

3,565

Prepayments

191,017

9. 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

50,000,000 ordinary shares of US \$ 0.01 each

500,000

20,000,000 convertible preferred shares of US \$ 0.01 each

200,000

700,000

10. 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.

11. TRADE CREDITORS

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

12. CONTINGENCIES AND COMMITMENTS

12.1 CONTINGENCIES

There were no contingent liabilities as at statement of financial position date.

12.2 COMMITMENTS

There were no capital commitments as at statement of financial position date.



13. REVENUE

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

14 FINANCIAL RISK MANAGEMENT

14.1 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 management of capital.

(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.

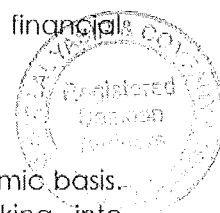
(ii) Interest rate risk

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 instruments was:

(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 June 30, 2014	----- (USD) -----			
Accruals and deposits received	121,063	-	121,063	-
Amount due to directors	159,647			
	121,063	-	121,063	-

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.

14 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.

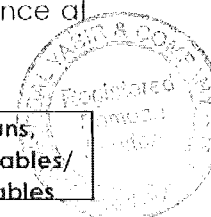
Financial instruments by categories

Assets as per balance sheet

Trade receivables	-	-	1,046,357
Advances, deposits and other receivables			191,017
Cash and bank balance	1,422,992	-	-
For the period ended June 30, 2014	1,422,992	-	1,237,374

Non interest bearing

Held to Maturity	Available for sale	Loans, receivables/ payables
----- (USD) -----		



Liabilities as per balance sheet

Trade payables	-	-	264,387
HP creditors			50,626
For the period ended June 30, 2014	-	-	315,013

14 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.

15 DATE OF AUTHORIZATION FOR ISSUE

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

16 GENERAL

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



DIRECTOR
CHENG KOK LEONG



DIRECTOR
TANG TUNG KEN

