

Unit A-6-2, Wisma Yoon Cheng, No. 726, Batu 4½,  
Jalan Ipoh, 51200 Kuala Lumpur.

Tel : 03-6257 1423 , 03-6257 9902  
Fax : 03-6257 0523  
Email : associatesck@yahoo.com

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
NANOPAC INNOVATION LIMITED**

**Report on the Financial Statements**

We have audited the annexed consolidated financial statements of **NANOPAC INNOVATION LIMITED. and its subsidiary companies**, which comprise the consolidated statement of financial position of the Group as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the period then ended and a summary of significant accounting policies and other explanatory information, as set out on pages 1 to 17.

*Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Accounting and Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are in appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
NANOPAC INNOVATION LIMITED**

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 30 June 2016 and of their financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- a) In our opinion, the accounting and other records and the registers required to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and auditors' report of all the subsidiaries of which we have not acted as auditors.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations as required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia, and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**CK & ASSOCIATES**  
**AF: 1598**  
**Chartered Accountants**  
Kuala Lumpur  
29 August 2016



**CHONG CHOONG KONG**  
**No: 2226/01/18 (J)**  
**Partner**




**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

	Note	30 Jun 2016 USD	31 Dec 2015 USD
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	2,541,766	2,483,032
Intangible assets	7	5,434	6,234
		2,547,200	2,489,266
<b>CURRENT ASSETS</b>			
Stock in trade	8	115,020	79,683
Trade receivables	9	6,154,559	4,238,207
Deposits and other receivables	10	57,856	62,536
Cash and bank balances	11	1,132,913	909,988
		7,460,349	5,290,414
<b>TOTAL ASSETS</b>		<b>10,007,548</b>	<b>7,779,680</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	12	14,000,001	14,000,001
Issued, subscribed and paid up capital	12	5,892,950	3,250,993
Consolidated retained earnings	13	3,258,523	3,195,474
<b>Shareholder's equity</b>		<b>9,151,473</b>	<b>6,446,467</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	14	103,664	80,423
Term loan		401,857	388,873
Due to subsidiary		100,957	86,363
HP creditors		14,985	-
Accruals and deposits received		-	682,844
Amount due to a director		234,611	94,710
		856,075	1,333,213
<b>CONTINGENCIES AND COMMITMENTS</b>	15	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,007,548</b>	<b>7,779,680</b>

The annexed notes from 1 to 24 form an integral part of these financial statements.

  
 \_\_\_\_\_  
 DIRECTOR  
 CHENG KOK LEONG

  
 \_\_\_\_\_  
 DIRECTOR  
 HO CHIN WOI

**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	Note	30 Jun 2016 USD	30 Jun 2015 USD
Revenue	16	855,170	3,900,313
Cost of sales		(314,978)	(3,170,907)
<b>Gross profit</b>		<b>540,192</b>	<b>729,406</b>
Administrative expenses		(422,688)	(499,360)
Selling and marketing expenses		(2,918)	(2,004)
Other operating expenses		(53,224)	(152,546)
		(478,830)	(653,910)
<b>Operating profit</b>		<b>61,362</b>	<b>75,496</b>
Other operating income		1,849	-
Bargain purchase gain on acquisition of subsidiary	19	-	-
Finance costs		(351)	-
<b>Profit before tax</b>		<b>62,860</b>	<b>75,496</b>
Taxation	17	-	2,653
<b>PROFIT AFTER TAX</b>		<b>62,860</b>	<b>78,149</b>
<b>Earnings per share basic and diluted - attributable to the Shareholder of parent company</b>	18	<b>0.0009</b>	<b>0.0011</b>

The annexed notes from 1 to 24 form an integral part of these financial statements.

  
 \_\_\_\_\_  
 DIRECTOR  
 CHENG KOK LEONG

  
 \_\_\_\_\_  
 DIRECTOR  
 HO CHIN WOI

**CK & ASSOCIATES**  
 AF : 1598

NANOPAC INNOVATION LIMITED  
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Note	30 Jun 2016 USD	30 Jun 2015 USD
Profit for the year		62,860	78,149
<i>Other comprehensive income</i>			
<i>Items that may not be reclassified subsequently to profit or loss account:</i>			
Exchange Gain/(Loss) on translating foreign operations		189	(1,399)
Income tax relating to items that may be reclassified	17	-	-
		<u>189</u>	<u>(1,399)</u>
		<u>63,049</u>	<u>76,750</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

  
DIRECTOR  
CHENG KOK LEONG

  
DIRECTOR  
HO CHIN WAI

CK & ASSOCIATES  
AF : 1598

**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	Share capital		Reserves			Total equity and reserves
	Ordinary	Convertible	Foreign currency translation reserve	Consolidated retained earnings	Total reserves	
-----USD-----						
Shares issued during the period	500,000	2,750,993	-	-	-	3,250,993
Profit for the period ended 31 December 2015	-	-	-	3,131,541	3,131,541	3,131,541
Other comprehensive income	-	-	63,933	-	63,933	63,933
Balance as at 31 December 2015	500,000	2,750,993	63,933	3,131,541	3,195,474	6,446,467
Shares issued during the period	-	2,641,957	-	-	-	2,641,957
Profit for the period ended 30 June 2016	-	-	-	62,860	62,860	62,860
Other comprehensive income	-	-	189	-	189	189
Balance as at 30 June 2016	500,000	5,392,950	64,122	3,194,401	3,258,523	9,151,473

The annexed notes from 1 to 24 form an integral part of these financial statements.



**DIRECTOR**  
**CHENG KOK LEONG**



**DIRECTOR**  
**HO CHIN WOI**

**CK & ASSOCIATES**  
 AF : 1598



**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	30 Jun 2016 USD	30 Jun 2015 USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	62,860	75,496
Adjustments for:		
- Exchange difference on translation of foreign operations	189	(1,399)
- Financial charges	351	-
- Depreciation	241,559	426,278
- Amortization	800	800
	<u>242,899</u>	<u>425,679</u>
<b>Operating profit before working capital changes</b>	<u>305,759</u>	<u>501,175</u>
<b>WORKING CAPITAL CHANGES</b>		
<b>(Increase)/(decrease) in current assets</b>		
Stock in trade	(35,337)	(30,276)
Trade receivables	(1,916,351)	(2,150,481)
Deposits and other receivables	4,680	(711)
Tax refund due from government		(477)
<b>(Increase)/(decrease) in current liabilities</b>		
Trade payables	23,241	9,349
Term loan	12,984	
Due to subsidiary	14,594	
HP creditors	14,985	(36,040)
Accruals and deposits received	(682,844)	1,126,243
Amount due to directors	139,901	380,664
	<u>(2,424,147)</u>	<u>(701,729)</u>
<b>Cash generated from operations</b>	<u>(2,118,388)</u>	<u>(200,554)</u>
- Finance cost paid	(351)	-
<b>Net cash inflows from operating activities</b>	<u>(2,118,739)</u>	<u>(200,554)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Cash of subsidiary on acquisition date	-	-
Fixed Assets purchased	(300,293)	-
Intangibles purchased	-	-
<b>Net cash inflows from investing activities</b>	<u>(300,293)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued during the period	2,641,957	-
<b>Net cash inflows/(outflows) from financing activities</b>	<u>2,641,957</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	<u>222,925</u>	<u>(200,554)</u>
Cash and cash equivalents at beginning of the period	909,988	1,134,182
<b>Cash and cash equivalents at the end of the period</b>	<u>1,132,913</u>	<u>933,628</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

  
 \_\_\_\_\_  
 DIRECTOR  
 CHENG KOK LEONG

  
 \_\_\_\_\_  
 DIRECTOR  
 HO CHIN WOI

**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

---

**1. STATUS AND NATURE OF BUSINESS**

The Group consist of the following companies:

**1.1 Holding company**

Nanopac Innovation Ltd 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 solutions 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 solutions 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 at 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 No 27, Jalan Rajawali 2, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan.

**2. BASIS OF PREPARATION**

**2.1 Basis of measurement**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been prepared on a historical cost basis.

**2.2 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and its subsidiary made up to 30 June 2016 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 the 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 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 assessment of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of the combination; and
- b) Recognise immediately in profit and 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 account.



**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

---

Intragroup balances, transactions and unrealized 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 transactions or 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 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, 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.

**2.3 Statement of compliance**

These financial statements have been prepared in accordance with the International Accounting and Financial 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. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

**3.1 Standards, amendments and interpretations which became effective during the year**

Below is the list of the amendments to IFRSs and the new interpretations that are mandatorily effective for accounting periods that begin on or after 1 January 2015.

- Amendments to IFRS 10 and IAS 27 Investment Entities; and
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting.

**Amendments to IFRS 10 and IAS 27 Investment Entities**

The amendments to IFRS 10 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is an investment entity when it:

- obtains funds from one or more investors for the purpose of providing them with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates performance of substantially all of its investments on a fair value basis.

**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

---

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities. In general, the amendments require retrospective application, with specific transitional provisions.

**Amendments to AIS 39 Continuation of Hedge Accounting**

The amendments to IAS 39 permits an entity to apply the hedge accounting requirements, for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets and liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the "own

**3.2 Standards, amendments and interpretations issued but not yet effective**

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2015:

- IFRS 5 Discontinued operations; Annual improvements
- IFRS 7 Financial instruments; Annual improvements
- IFRS 9 Financial instruments;
- IFRS 14 Regulatory Deferral Accounts;
- IFRS 15 Revenue from Contracts with Customers;
- IFRS 16 Leases
- Amendments to IFRS 11 Accounting for Acquisitions of interests in Joint Operations
- IAS 01-Presentation of Financial Statements - Disclosure Initiative (Amendment)
- IAS 16 - Property, Plant and Equipment and IAS - 38 Intangible Assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment).
- IAS 19 Employees Benefit; Annual Improvements
- IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)
- Amendments to IAS 28 Investment in associates and joint ventures; Sale or Contribution of assets, Consolidation exceptions.

There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

**4 SIGNIFICANT ACCOUNTING, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Exiting circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company.



**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

---

**4.1 Measurement of fair value**

When measuring the fair value of assets and liabilities, the company uses market observables data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as stated in Note 17 to these financial statements.

**4.2 Revenue Recognition**

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the rendering of services as set out in IAS 18 and, in particular, whether the company has established the right to record the said revenue.

**5 SIGNIFICANT OF ACCOUNTING POLICIES**

**5.1 Functional and presentation currency**

These financial statements are prepared in US Dollars, which is the company's functional as well as presentation currency.

**5.2 Foreign currency**

Transactions in foreign currencies during the financial year are converted into United States Dollars (USD) at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities at the statement of financial position date are transacted into USD at exchange rates ruling at that date. All exchange gains or losses are dealt with in the income statement.

**5.3 Trade and other 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.

**5.4 Financial instruments**

Financial instruments are recognized in the Statement of financial position when the Company is a party to the contractual provision of the instruments. The recognized financial instruments of the company in the statement of financial position comprise cash and cash equivalents, investments, short term loans and interest receivables 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 company classifies its financial assets into following measurement categories.

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held to maturity
- Available for sale

Financial liabilities are classified as either held at fair value through profit or loss or at amortized cost. Management determines the classification of financial assets and liabilities at initial recognition or, where appropriate, at the time of reclassification.

**5.5 Cash and cash equivalent**

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have a significant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented.

**5.6 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 rendered.



**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

---

**5.7 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the company's business, revenue is recognized when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria has been met for each of the company's activities as described below:

**Rendering of services**

Revenue from contracts is recognized on accrual basis

The recognition of revenue to the stage of completion of a transaction is often referred to as the percentage of completion method. Under this method, revenue is recognized in the accounting periods in which the services are rendered. The recognition of revenue on this basis provides useful information on the extent of service activity and performance during a period.

**Interest / Mark up income**

Interest / Mark up is recognized on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

**5.8 Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the company has a legally enforceable right to offset the recognized amounts and the company intends to settle either on a net basis or realize the asset and settle the liability.

**CK & ASSOCIATES**  
AF : 1598

**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

**6 PROPERTY, PLANT AND EQUIPMENT**

Particulars	COST		Rate %	DEPRECIATION		
	As on 1 Jan 2016	Addition during the year USD		As on 1 Jan 2016	For the Period USD	As on 30 Jun 2016
Land and building	1,352,360	-		-	-	1,352,360
Office equipment	8,856	-	20	6,477	886	7,363
Computer	10,545	-	20	8,977	1,055	10,032
Machinery	4,238,202	56,754	10	3,113,044	214,748	3,327,792
Renovation	5,176	243,539	20	3,609	24,872	28,481
<b>Total</b>	<b>5,615,139</b>	<b>300,293</b>		<b>3,132,107</b>	<b>241,559</b>	<b>3,373,666</b>
						<b>2,541,766</b>

**7 INTANGIBLE ASSETS**

Particulars	COST		Rate %	DEPRECIATION		
	As on 1 Jan 2016	Addition during the year USD		As on 1 Jan 2016	For the Period USD	As on 30 Jun 2016
Software	8,000	-	20	1,766	800	2,566
<b>Total</b>	<b>8,000</b>	<b>-</b>		<b>1,766</b>	<b>800</b>	<b>2,566</b>
						<b>5,434</b>

**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	30 Jun 2016 USD	31 Dec 2015 USD
<b>8. STOCK IN TRADE</b>		
- Nano technology products	<u>115,020</u>	<u>79,683</u>
<b>9. TRADE RECEIVABLES</b>		
The Company's normal trade credit terms vary from 30 to 90 days. Other trade credit terms are assessed and approved on a case-by-case basis.		
	30 Jun 2016 USD	31 Dec 2015 USD
<b>10. DEPOSITS AND OTHER RECEIVABLES</b>		
Other receivables	53,818	60,474
Deposits	<u>4,038</u>	<u>2,062</u>
	<u>57,856</u>	<u>62,536</u>
	30 Jun 2016 USD	31 Dec 2015 USD
<b>11. CASH AND BANK BALANCE</b>		
Cash in hand	-	-
Cash at bank:		
- current accounts	-	-
- saving accounts	<u>1,132,913</u>	<u>909,988</u>
	<u>1,132,913</u>	<u>909,988</u>
Note	30 Jun 2016 USD	31 Dec 2015 USD
<b>12. SHARE CAPITAL</b>		
<b>Authorized share capital</b>		
<b>Ordinary Share Capital</b>		
1,000,000,000 ordinary shares of USD 0.01 each	<u>10,000,000</u>	<u>10,000,000</u>
1 founder share of USD 1.00 each	<u>1</u>	<u>1</u>
	10,000,001	10,000,001
<b>Convertible Shares</b>		
400,000,000 convertible shares of USD 0.01 each	<u>4,000,000</u>	<u>4,000,000</u>
	<u>14,000,001</u>	<u>14,000,001</u>
<b>12. Issued, subscribed and paid up share capital</b>		
<b>Ordinary Share Capital</b>		
500,000,000 shares of USD 0.01 each	500,000	500,000
<b>Convertible Share Capital</b>		
20,000,000 shares of USD 0.01 each	12.1 2,750,993	200,000
	<u>7,530</u>	<u>2,550,993</u>
	<u>3,258,523</u>	<u>3,250,993</u>

- 12.1** The convertible shares are convertible at the option of the company once the company has raised additional capital in excess of USD 30 million. These shares are not entitled to the dividends declared by the company before any conversion. The company retained the right to either convert the shares into ordinary shares or to pay them off and redeem them.



**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

**13. CONSOLIDATED RETAINED EARNINGS**

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 purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

**14. TRADE PAYABLES**

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

**15. CONTINGENCIES AND COMMITMENTS**

**CONTINGENCIES:**

There were no contingencies as on the statement of financial position date.

**COMMITMENTS:**

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

**16. REVENUE**

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

**17. TAXATION**

According to the management of the group, the parent company as well as its subsidiary company are not liable to pay any tax in any jurisdiction.

**18. EARNINGS PER SHARES**

		30 Jun 2016	30 Jun 2015
		USD	USD
Profit after taxation for the year	USD	62,860	78,149
Weighted average number of ordinary	Number of shares	70,000,000	70,000,000
Earnings per share - basic and diluted	USD	<u>0.0009</u>	<u>0.0011</u>

**18.1** There is no dilutive effect on basic earnings per share.

**19. BUSINESS COMBINATION**

As at July 16, 2014 the company acquired Nanopac (M) SDN. BHD. (634805-K), a company with its registered office in Hong Kong.

The acquisition was accounted for by applying the purchase method. The cost of the acquisition was measured at the fair value of the consideration given. Identified assets acquired, liabilities assumed or incurred have been carried at the fair value as at the acquisition date.

	31 Dec 2014
	USD
Fair value of identifiable net assets at date of acquisition	3,338,848
Percentage of identifiable net assets acquired	100%
Purchase consideration paid in ordinary shares of the company	575,000
<b>Bargain Purchase Gain</b>	<u><u>2,763,848</u></u>

**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	30 Jun 2016	31 Dec 2015
	USD	USD
<b>20. FINANCIAL INSTRUMENTS</b>		
<b>20.1 Financial instruments by class and category</b>		
Financial assets		
Stock in trade	115,020	79,683
Trade receivables	6,154,559	4,238,207
Deposits and other receivables	57,856	62,536
Cash and bank balance	1,132,913	909,988
	<u>7,460,349</u>	<u>5,290,414</u>

**20.2 Fair values of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts. Further, there are no fair value estimation uncertainties.

**20.2.1 Methods of determining fair values**

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. The fair value of financial assets (other than investments) and liabilities with no active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

**20.2.2 Discount/interest rates used for determining fair values**

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

**20.2.3 Fair value hierarchy**

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The fair value hierarchy of financial assets measured at fair value is as follows:

	30 Jun 2016			
	Total	Level 1	Level 2	Level 3
Stock in trade	115,020	-	-	115,020
Trade receivables	6,154,559	-	-	6,154,559
Deposits and other receivables	57,856	-	-	57,856
Cash and bank balance	1,132,913	-	-	1,132,913
	<u>7,460,349</u>	<u>-</u>	<u>-</u>	<u>7,460,349</u>

**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	30 Jun 2015			
	Total	Level 1	Level 2	Level 3
Stock in trade	79,683	-	-	79,683
Trade receivables	4,238,207	-	-	4,238,207
Deposits and other receivables	62,536	-	-	62,536
Cash and bank balance	909,988	-	-	909,988
	<u>5,290,414</u>	<u>-</u>	<u>-</u>	<u>5,290,414</u>

## 21 FINANCIAL RISK MANAGEMENT

### Financial risk factors

Financial instruments comprise investment in equity instruments, interest accrued, trade debts, cash and bank balances, short term borrowings and trade and other payables, short term investments.

The company 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 company's risk management framework. The Board is also responsible for developing and monitoring the company's risk management policies.

The company'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 and regularly to react to changes in market conditions and the company's activities.

The note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

### 21.1 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 company'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.

#### 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 company'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.

#### 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 company has no significant interest-bearing assets.

#### Interest rate risk management

The company 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 company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.



**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

**21.2 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 on obligation. The carrying amount of financial assets represents the maximum credit exposure. 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 maximum exposure to credit risk at the reporting date was as follows:

	30 Jun 2016 USD	31 Dec 2015 USD
<b>21.2.1 Maximum exposure to credit risk</b>		
The maximum exposure to credit risk as at the reporting date is as follows:		
Stock in trade	115,020	79,683
Trade receivables	6,154,559	4,238,207
Deposits and other receivables	57,856	62,536
Cash and bank balance	1,132,913	909,988
	<u>7,460,349</u>	<u>5,290,414</u>

**21.2.2 Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is classified in its funds managed by it and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk.

**21.2.3 Credit quality and impairment**

Credit quality of financial assets is assessed by reference to external ratings, where available, or to historical information about counterparty default rates.

**21.2.3.1 Counterparties with external credit ratings**

These include banking companies, which are counter parties to bank balances, various aother organizations which are counter parties to investments in debt securities and dividend and profit recivable thereon. These counterparties have reasonably high ratings based on which non-performance by these counterparties is not expected.

**21.2.3.2 Counterparties without external credit ratings**

These include trade receivables and receivable from shareholders. Non performance by these counterparties is not expected.

**21.2.4 Collateral held**

The Company does not hold any collateral to secure its financial assets.

**21.2.5 Credit risk management**

The Company's credit risk is primarily attributable to its investment in its funds, balances with banks, and security deposits. Bank balances are maintained with counter parties that are banking companies with reasonably high credit ratings. The risk of default is considered minimal in case of investments in debt

**21.3 Liquidity risk**

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

**NANOPAC INNOVATION LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

---

The company'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.

**22. RELATED PARTY TRANSACTIONS**

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There are no related party transactions in the year.

**23. 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.

**24. GENERAL**

- Figures have been rounded off to the nearest US Dollar.
- Corresponding figures have been rearranged or reclassified, whenever necessary for the purpose of comparison.

  
\_\_\_\_\_  
DIRECTOR  
CHENG KOK LEONG  
\_\_\_\_\_  
DIRECTOR  
HO CHIN WOI

**CK & ASSOCIATES**  
AF : 1598