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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NANOPAC INNOVATIONS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NANOPAC INNOVATIONS LIMITED., which comprise the statement of financial position of the Group as at 30 June 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the Group for the period then ended, and notes to the financial statements of the Group, including a summary of accounting policies, as set out on pages 1 to 17.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group as at 30 June 2017 and of its financial performance and cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of Companies Act, 2016 in Malaysia

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the Bye-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the Bye-Laws and the IESBA Code.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NANOPAC INNOVATIONS LIMITED

(Continued)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of the any other form of financial information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NANOPAC INNOVATIONS LIMITED

(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group, including the disclosures, and whether the financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

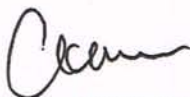
From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group for the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we also report the subsidiaries of which we have not acted as auditors.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 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

Date: 30 AUG 2017



CHONG CHOONG KONG
No: 02226/01/2018 J
Chartered Accountant

NANOPAC INNOVATION LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF-YEAR ENDED 30 JUNE 2017

	2017 USD	2016 USD
Revenue	1,796,674	855,170
Cost of sales	(1,446,766)	(314,978)
Gross profit	349,907	540,192
Administrative expenses	(142,823)	(422,688)
Selling and marketing expenses	(313,129)	(2,918)
Other operating expenses	(6,658)	(53,224)
	(462,610)	(478,830)
Operating profit	(112,702)	61,362
Other operating income	1,496	1,849
Finance costs	(166)	(351)
Profit before tax	(111,372)	62,860
Taxation	-	-
PROFIT AFTER TAX	(111,372)	62,860
Exchange Gain/(Loss) on translating foreign operations	232	189
	(111,140)	63,049
Earnings per share basic and diluted - attributable to the Shareholder of parent company	(0.0016)	0.0009

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


 DIRECTOR
 CHENG KOK LEONG


 DIRECTOR
 HO CHIN WAI



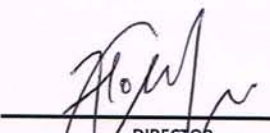
NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2017

	Note	2017 USD	2016 USD
Profit for the year		(111,372)	62,860
<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		232	189
Income tax relating to items that may be reclassified	17	-	-
		<u>232</u>	<u>189</u>
		<u>(111,140)</u>	<u>63,049</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 STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2017

	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	5,392,950	63,933	3,131,541	3,195,474	9,088,424
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
Shares issued during the period	-	1,988,741	-	-	-	1,988,741
Profit for the period ended 30 June 2017	-	-	-	(111,372)	(111,372)	(111,372)
Other comprehensive income	-	-	232	-	232	232
Balance as at 30 June 2017	500,000	7,381,691	64,354	3,083,029	3,147,382	11,029,073

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


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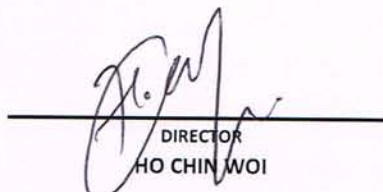
NANOPAC INNOVATION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	2017 USD	2016 USD
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	3,822,150	2,541,766
Intangible assets	6,234	5,434
Investment in subsidiaries	103,358	-
	3,931,742	2,547,200
CURRENT ASSETS		
Stock in trade	205,498	115,020
Trade receivables	7,024,655	6,154,559
Deposits and other receivables	504,103	57,856
Cash and bank balances	1,272,642	1,132,913
	9,006,899	7,460,349
TOTAL ASSETS	12,938,640	10,007,548
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized share capital	14,000,001	14,000,001
Issued, subscribed and paid up capital	7,881,691	5,892,950
Consolidated retained earnings	3,147,382	3,258,523
Shareholder's equity	11,029,073	9,151,473
CURRENT LIABILITIES		
Trade payables	334,300	103,664
Term loan	149,853	401,857
Due to subsidiary	57,784	100,958
HP creditors	424,075	14,985
Accruals and deposits received	82,616	-
Amount due to a director	860,937	234,611
	1,909,567	856,075
CONTINGENCIES AND COMMITMENTS	-	-
TOTAL EQUITY AND LIABILITIES	12,938,641	10,007,548

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



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DIRECTOR
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NANOPAC INNOVATION LIMITED

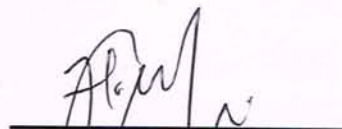
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2017

	2017 USD	2016 USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	(111,372)	62,860
Adjustments for:		
- Exchange difference on translation of foreign operations	232	189
- Financial charges	166	351
- Depreciation	72,823	241,559
- Amortization	-	800
	<u>73,220</u>	<u>242,899</u>
Operating profit before working capital changes	<u>(38,152)</u>	<u>305,759</u>
WORKING CAPITAL CHANGES		
(Increase)/(decrease) in current assets		
Stock in trade	(90,478)	(35,337)
Trade receivables	(870,096)	(1,916,351)
Deposits and other receivables	(446,247)	4,680
Tax refund due from government	-	-
(Increase)/(decrease) in current liabilities		
Trade payables	230,635	23,241
Term loan	(252,003)	12,984
Due to subsidiary	(43,174)	14,594
HP creditors	409,090	14,985
Accruals and deposits received	82,616	(682,844)
Amount due to directors	626,327	139,901
	<u>(353,329)</u>	<u>(2,424,147)</u>
Cash generated from operations	<u>(391,481)</u>	<u>(2,118,388)</u>
- Finance cost paid	<u>(166)</u>	<u>(351)</u>
Net cash inflows from operating activities	<u>(391,647)</u>	<u>(2,118,739)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Cash of subsidiary on acquisition date	-	-
Fixed Assets purchased	(1,354,007)	(300,293)
Investment in subsidiaries	(103,358)	-
Intangibles purchased	-	-
Net cash inflows from investing activities	<u>(1,457,365)</u>	<u>(300,293)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued during the period	1,988,741	2,641,957
Net cash inflows/(outflows) from financing activities	<u>1,988,741</u>	<u>2,641,957</u>
Net increase in cash and cash equivalents	139,729	222,925
Cash and cash equivalents at beginning of the period	1,132,913	909,988
Cash and cash equivalents at the end of the period	<u>1,272,642</u>	<u>1,132,913</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 2017

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. Sega Lubricant Sdn. Bhd. (985702-U) and DNA Petrochem Sdn Bhd (941525-D) are private limited liability company incorporated and domiciled in Malaysia. The principal activities of the company are investment holding and engaged in manufacturing, supplying, importing and exporting of engine oil products. There are the subsidiary companies of Nanopac (M) Sdn Bhd.

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 31 December 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 2017

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 2017

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 2016:

- 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 2017

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 2017

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.



NANOPAC INNOVATION LIMITED
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

6 PROPERTY, PLANT AND EQUIPMENT

Particulars	COST			Rate %	DEPRECIATION			WDV as on 30 Jun 2017
	As on 1 Jan 2017	Addition during the year USD	As on 30 Jun 2017		As on 1 Jan 2017	For the Period	As on 30 Jun 2017 USD	
Land and building	2,350,853	-	2,350,853	-	-	-	-	2,350,853
Motor vehicles	233,421	-	233,421	20	46,684	23,342	70,026	163,394
Office equipment	131,821	3,450	135,271	20	32,841	13,527	46,368	88,902
Computer	14,807	-	14,807	20	11,938	1,481	13,419	1,388
Machinery	4,482,804	361,943	4,844,747	10	3,469,095	242,237	3,711,332	1,133,415
Renovation	125,438	-	125,438	20	28,697	12,544	41,240	84,197
Total	7,339,144	365,393	7,704,537		3,589,255	293,131	3,882,386	3,822,150

7 INTANGIBLE ASSETS

Particulars	COST			Rate %	DEPRECIATION			WDV as on 30 Jun 2017
	As on 1 Jan 2017	Addition during the year USD	As on 30 Jun 2017		As on 1 Jan 2017	For the Period	As on 30 Jun 2017 USD	
Software	8,000	-	8,000	20	3,366	800	4,166	3,834
Total	8,000	-	8,000		3,366	800	4,166	3,834



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	2017 USD	2016 USD
8. STOCK IN TRADE		
- Nano technology products	<u>205,498</u>	<u>115,020</u>
9. TRADE RECEIVABLES		
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.		
	2017 USD	2016 USD
10. DEPOSITS AND OTHER RECEIVABLES		
Other receivables	504,103	57,856
Deposits	-	-
	<u>504,103</u>	<u>62,536</u>
	2017 USD	2016 USD
11. CASH AND BANK BALANCE		
Cash in hand	-	-
Cash at bank:		
- current accounts	-	-
- saving accounts	1,272,642	1,132,913
	<u>1,272,642</u>	<u>1,132,913</u>
	2017 USD	2016 USD
12. SHARE CAPITAL		
Authorized share capital		
Ordinary Share Capital		
1,000,000,000 ordinary shares of USD 0.01 each	10,000,000	10,000,000
1 founder share of USD 1.00 each	1	1
	10,000,001	10,000,001
Convertible Shares		
400,000,000 convertible shares of USD 0.01 each	4,000,000	4,000,000
	<u>14,000,001</u>	<u>14,000,001</u>
12. Issued, subscribed and paid up share capital		
Ordinary Share Capital		
500,000,000 shares of USD 0.01 each	500,000	500,000
Convertible Share Capital		
20,000,000 shares of USD 0.01 each	5,892,950	2,750,993
	<u>1,988,741</u>	<u>2,641,957</u>
	<u>7,881,691</u>	<u>5,892,950</u>

Note

- 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.



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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

		2017 USD	2016 USD
Profit after taxation for the year	USD	(111,372)	62,860
Weighted average number of ordinary	Number of shares	70,000,000	70,000,000
Earnings per share - basic and diluted	USD	<u>(0.0016)</u>	<u>0.0009</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 Innovation Ltd., 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.

	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	<u>575,000</u>
Bargain Purchase Gain	<u>2,763,848</u>



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	2017	2016
	USD	USD
20. FINANCIAL INSTRUMENTS		
20.1 Financial instruments by class and category		
Financial assets		
Stock in trade	205,498	115,020
Trade receivables	7,024,655	6,154,559
Deposits and other receivables	504,103	57,856
Cash and bank balance	1,272,642	1,132,913
	<u>9,006,899</u>	<u>7,460,349</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:

	2017			
	Total	Level 1	Level 2	Level 3
Stock in trade	205,498	-	-	205,498
Trade receivables	7,024,655	-	-	7,024,655
Deposits and other receivables	504,103	-	-	504,103
Cash and bank balance	1,272,642	-	-	1,272,642
	<u>9,006,899</u>	<u>-</u>	<u>-</u>	<u>9,006,899</u>



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	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>

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.



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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:

	2017	2016
	USD	USD
21.2.1 Maximum exposure to credit risk		
The maximum exposure to credit risk as at the reporting date is as follows:		
Stock in trade	205,498	115,020
Trade receivables	7,024,655	6,154,559
Deposits and other receivables	504,103	57,856
Cash and bank balance	1,272,642	1,132,913
	<u>9,006,899</u>	<u>7,460,349</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 laibilities.



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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 or 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 **30 AUG 2017** 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

