

**NANOPAC INNOVATION LIMITED**

Company No.: (ARBN 169020580)  
(Incorporated in Samoa)

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
31 DECEMBER 2019**



**Assurance and Advisory Business Services**

# ANNUAL REPORT

## **NANOPAC INNOVATION LIMITED**

(ARBN 169020580)  
(Incorporated in Samoa)

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
31 DECEMBER 2019**

2019

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## GROUP FINANCIAL HIGHLIGHTS

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	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>	<b>As at 31.12.2016</b>	<b>As at 31.12.2015</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Revenue	1,596,552	3,505,459	2,405,101	1,172,032	4,502,685
(Loss)/Profit Before Taxation	(1,285,889)	(244,989)	(30,151)	(885,104)	103,527
(Loss)/Profit After Taxation	(1,288,753)	(281,206)	(52,155)	(906,369)	103,527
Total Assets	7,231,901	9,526,000	10,209,993	13,478,366	7,779,680
Total Liabilities	2,087,532	3,199,812	3,552,493	3,360,395	1,333,212
Total Equity	5,144,369	6,326,188	6,657,500	10,117,970	6,446,467
Basic Earnings Per Share (Sen)	(1.64)	(0.37)	(0.07)	(0.0131)	0.002

## CORPORATE GOVERNANCE STATEMENT

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

The main corporate governance policies are summarised as below:

### 1. Director's Access to Independent Advice

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

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

### 2. Audit Board and Risk

Board representatives meet with the external auditors at least once a year. The specific activities include assessing and monitoring:

- The adequacy of the Company's internal controls and procedures to ensure compliance with all applicable legal obligations.
- The adequacy of the financial risk management processes.
- The appointment of the external auditor, any reports prepared by the external auditor and listing with the external auditor.

### 3. Remuneration and Management Succession

The Board in fulfilling its responsibilities to shareholders by:

- Reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- Ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- Maintaining a Board that has an appropriate mix of skills and experience to be an effective decision making body; and
- Ensuring that the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.

## CORPORATE INFORMATION

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Board of directors	: Dato' Dr. Cheng Kok Leong Nazrulishah Bin Md Yusop ( <i>Board member w.e.f. 1.7.2020</i> ) Ho Chin Woi ( <i>Board member w.e.f. 30.5.2016; Resigned w.e.f. 30.6.2020</i> )
Company secretaries	: Andrew Bristow - Australia Westco Secretaries Ltd - Samoa
Registered office - Samoa	: c/o - Asiaciti Trust Samoa Ltd 2 <sup>nd</sup> Floor, Building B SNPF Plaza Sualino Apia Samoa
Registered office - Australia	: c/o - Highgate Corporate Advisors Pty Ltd 31 Highgate Cct Kellyville NSW 2155 Mob: 0403192 230
Auditors	: ACT Partners (AF: 001842) (Chartered Accountants) Wisma Chew & Co. No. 39, Jalan Kenari 17C Bandar Puchong Jaya 47100 Puchong Selangor
Nominated advisors	: Highgate Corporate Advisors Pty Ltd 31 Highgate Cct Kellyville Nsw 2155 Mob: 0403192 230
CDI/Share registry	: Boardroom Pty Limited Level 12,225 George Street Sydney Nsw 2000

## DIRECTORS' REPORT

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The directors hereby submit their annual report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding company.

There have been no significant changes in the nature of this activity during the financial year.

The principal activity and other details of the Subsidiaries are disclosed in Note 9 to the financial statements.

### OUR BUSINESS MODEL AND OBJECTIVE

The Company proposes to generate future income by continuing to manufacture, distribute and sell of nanotechnology products.

### RESULTS

	<b>Group USD</b>	<b>Company USD</b>
Loss for the financial year, net of tax	<u>(1,288,753)</u>	<u>(46,356)</u>
Attributable to:-		
Non-controlling interests	(901,145)	-
Owners of the Company	<u>(387,608)</u>	<u>(46,356)</u>
Loss for the financial year	<u>(1,288,753)</u>	<u>(46,356)</u>

### DIVIDENDS

No dividends were paid or declared since the end of the previous financial year and the directors do not recommend the payment of dividends for the current financial year.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

### ISSUE OF SHARES AND DEBENTURES

There were no issues of shares and debentures by the Company.

### SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

## DIRECTOR'S REPORT (Continued)

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### FUTURE DEVELOPMENTS AND BUSINESS STRATEGIES

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

### ENVIRONMENT ISSUES

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

### DIRECTORS

The directors of the Company in office at any time during the financial year or since the end of the financial year are:

1. Dato' Dr. Cheng Kok Leong, Chairman  
Board member from 7 March 2014 to date

#### **Qualification and Experience**

Dato' Dr. Cheng Kok Leong is the founder of Nanopac (M) Sdn Bhd. He is currently the chief executive officer. Mr Cheng is a technopreneur and has more than 19 years' experience in starting up and managing companies. Nanopac established the first Nanotechnology Product manufacturing plant in Malaysia. It was granted Pioneer Company status in 2004 and was recognised as one of Malaysia's fastest growing companies. Dato' Dr. Cheng was previously the CEO and co-founder of DAG Autosonic Sdn Bhd and Digi Sun Technologies Sdn Bhd.

2. Mr. Nazrulishah Bin Md Yusop  
Board member from 1 July 2020

#### **Qualification and Experience**

Mr. Nazrulishah is the Executive Director for the Company. He was previously the Director of Business Development of Arch Sdn Bhd. He attained his Diploma in Business Administrative/Accounting at the Federal Institute of Information Technology. Mr. Nazrulishah has over ten years of experience in the trading and investment industry, during which he has filled various good knowledge and experience in business development and running a company's daily operation. He is also a person with the ability to learn fast and hardworking and has good interpersonal skills.



## DIRECTOR'S REPORT (Continued)

### DIRECTORS (Continued)

3. Mr. Ho Chin Woi, Executive Director  
Board member from 30 May 2016; Resigned on 30 June 2020

#### Qualification and Experience

Ho Chin Woi obtained his Bachelor of Engineering in Chemical Engineering and Master of Science majoring in Biochemical Engineering from Universiti Putra Malaysia (UPM, one of the leading research universities in Malaysia). Prior to joining Nanopac in 2009, he was part of a university research team working in the development of large-scale isolation and purification processes for nano-scale virus protein useful for diagnostic reagents and vaccine development. During his 4-year tenure with the research team, he published a total of 5 scientific articles in high ranking scientific journals in South Korea and United Kingdom. His research effort has earned him numerous international awards including the gold medals in the 17<sup>th</sup> Malaysia International Invention & Technology Exhibition (ITEX 2006) and in the 55<sup>th</sup> World Exhibition on Innovation, Research and New Technologies, Brussels, Belgium (EUREKA, 2006).

His originally joined Nanopac (M) Sdn Bhd as an executive in business development. 3 years later, he was promoted to the position of manager in the business development and technical department. He is also currently the Chief Operating Officer of Nanotextile Sdn Bhd, a joint-venture company between Nanopac and NanoMalaysia Berhad, a government agency under the Malaysian Ministry of Science, Technology and Innovation (MOSTI).

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company during the financial year are as follows:-

	Number of ordinary shares		
	At 1.1.2019	Acquired/ (Disposed)	At 31.12.2019
<u>Direct Interests</u>			
Dato' Dr. Cheng Kok Leong	26,250,000	-	26,250,000
Ho Chin Woi	5,536	-	5,536
	Number of A Class Converting Preference Shares		
	At 1.1.2019	Acquired/ (Disposed)	At 31.12.2019
<u>Indirect Interests</u>			
Dato' Dr. Cheng Kok Leong	14,000,000	-	14,000,000

## DIRECTOR'S REPORT (Continued)

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### DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

### DIRECTORS' REMUNERATION

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

### REMUNERATION POLICY

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

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

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

Details of the remuneration paid to the Director of the Group was as follows:

	<b>Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>USD</b>	<b>USD</b>
Fees	<u>69,206</u>	<u>139,204</u>

### INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Company.

## DIRECTOR'S REPORT (Continued)

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### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that:

- (a) all known bad debts have been written off and adequate allowance made for doubtful debts; and
- (b) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- (a) that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the Group and in the Company inadequate to any substantial extent; or
- (b) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligation as and when they fall due.

In the opinion of the directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 have not been substantially affected by any items, transaction or event of a material and unusual nature nor has any such item, transaction occurred in the interval between the end of that financial year and the date of this report.

### ASSOCIATES

The principal activity and other details of the Associates are disclosed in Note 10 to the financial statements.

### SIGNIFICANT EVENTS DURING REPORTING DATE

The significant events during reporting date are disclosed in Note 40 to the financial statements.

### SIGNIFICANT EVENT AFTER THE REPORTING DATE

The significant event after the reporting date is disclosed in Note 41 to the financial statements.

**DIRECTOR'S REPORT** (Continued)**AUDITORS' REMUNERATION**

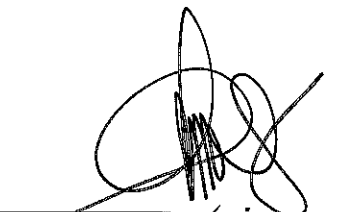
Total amounts paid to or receivable by the auditors as remuneration for their services as auditors are as follows:

	<b>Group</b>	
	<b>As at 31.12.2019 USD</b>	<b>As at 31.12.2018 USD</b>
Auditors' remuneration - audit fees	<u>5,533</u>	<u>7,177</u>

**AUDITORS**

The auditors, Messrs. ACT Partners, Chartered Accountants (Malaysia) have expressed their willingness to continue in office.

Signed by the Board  
in accordance with a resolution of the directors

  
 \_\_\_\_\_  
 Dato' Dr. Cheng Kok Leong  
 Director

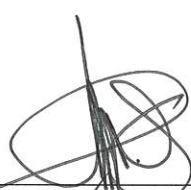
  
 \_\_\_\_\_  
 Nazrulishah Bin Md Yusop  
 Director

Selangor Darul Ehsan, Malaysia.  
 Dated: **3 0 DEC 2021**

## DIRECTORS' STATEMENT

We, *Dato' Dr. Cheng Kok Leong* and *Nazrulishah Bin Md Yusop*, being the directors of **Nanopac Innovation Limited**, do hereby state that the accompanying financial statements are drawn up in accordance with International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed by the Board  
in accordance with a resolution of the directors

  
\_\_\_\_\_  
Dato' Dr. Cheng Kok Leong  
Director

  
\_\_\_\_\_  
Nazrulishah Bin Md Yusop  
Director

Selangor Darul Ehsan, Malaysia

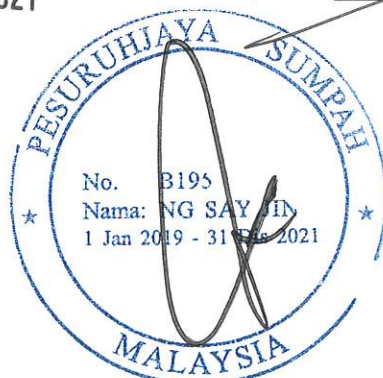
Dated: **30 DEC 2021**

## STATUTORY DECLARATION

I, *Dato' Dr. Cheng Kok Leong* being the director primarily responsible for the financial management of **Nanopac Innovation Limited**, do solemnly and sincerely declare that the accompanying financial statements for the financial year ended 31 December 2019 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared  
by the above named at Puchong  
in the state of Selangor Darul Ehsan  
on this day of **30 DEC 2021**

Before me:



No. C-2-45, IOI Boulevard  
Jalan Kenari 5  
Bandar Puchong Jaya  
47170 Puchong, Selangor

  
\_\_\_\_\_  
Dato' Dr. Cheng Kok Leong  
Director



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

### Report on the audit of the financial statements

#### Qualified Opinion

We have audited the financial statements of **Nanopac Innovation Limited**, which comprise the statements of financial position as at 31 December 2019 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 74.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended, in accordance with International Financial Reporting Standards ("IFRS").

#### Basis for qualified opinion

As disclosed in Note 40 to the financial statements, the directors of Segal Lubricant Sdn. Bhd. and DNA Petrochem Sdn. Bhd. lodged a police report due to the assets including a motor vehicle, equipment, inventories, petty cash, and all accounting records and documents were stolen. The auditors of the wholly-owned subsidiary's associates did not express an opinion on the accompanying financial statements. The auditors were unable to verify most of the documents as they were lost due to various reasons and, the financial statements were prepared based on assumptions of the directors. As a result of this matter, they were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity, and statement of cash flows.

No consolidated financial statements been prepared by the wholly-owned subsidiary Company due the wholly-owned subsidiary Company unable to obtain sufficient appropriate audit evidence about the consolidated financial statements.

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NANOPAC INNOVATION LIMITED (Continued)**

### **Information Other than the Financial Statements and Auditors' Report Thereon**

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Group and the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and the Company 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 Directors' Report, 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 of the Group and the Company that give a true and fair view in accordance with International Financial Reporting Standards. 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 and the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and the Company, the directors are responsible for assessing the Company'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 Company 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 and the Company 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.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NANOPAC INNOVATION 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and the Company, 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 Company'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 and the Company'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 and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.





## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NANOPAC INNOVATION LIMITED (Continued)

### Other Matters

The financial statements of the Company for the financial year ended 31 December 2018 were audited by another firm of chartered accountants whose report dated 6 May 2020 expressed an unqualified opinion on those statements.

This report is made solely to the members of the Company, as a body, in accordance with NSX Listing Rules 6.10 of Section IIA and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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ACT Partners  
AF: 001842  
Chartered Accountants

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Chew Por Yan  
01830/05/2023(J)  
Chartered Accountant

Selangor Darul Ehsan, Malaysia  
Dated: **30 DEC 2021**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	As at 31.12.2019 USD	As at 31.12.2018 USD Restated	As at 1.1.2018 USD Restated
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	1,143,381	2,982,666	3,087,814
Investment properties	6	611,867	-	-
Intangible assets	7	206,838	284,779	-
Right-of-use assets	8	55,327	-	-
Goodwill	11	1,790,848	1,938,848	1,964,848
<b>Total non-current assets</b>		<u>3,808,261</u>	<u>5,206,293</u>	<u>5,052,662</u>
<b>Current assets</b>				
Inventories	12	96,255	321,218	603,402
Trade receivables	13	16,256	374,806	326,686
Other receivables	14	2,960,969	3,115,310	3,603,872
Amount due from associates	16	12,800	-	-
Tax recoverable		3,163	11,597	18,230
Cash and cash equivalents		<u>334,197</u>	<u>496,776</u>	<u>605,141</u>
<b>Total current assets</b>		<u>3,423,640</u>	<u>4,319,707</u>	<u>5,157,331</u>
<b>Total assets</b>		<u><u>7,231,901</u></u>	<u><u>9,526,000</u></u>	<u><u>10,209,993</u></u>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital	18	7,193,190	7,193,190	7,193,190
Reserve		(46,530)	(44,487)	(42,770)
Accumulated losses		<u>(1,918,343)</u>	<u>(1,017,198)</u>	<u>(705,389)</u>
<b>Equity attributable to owners of the Company</b>		5,228,317	6,131,505	6,445,031
Non-controlling interests	19	<u>(83,948)</u>	<u>194,683</u>	<u>212,469</u>
<b>Total equity</b>		<u>5,144,369</u>	<u>6,326,188</u>	<u>6,657,500</u>
<b>Non-current liabilities</b>				
Bank borrowings	20	381,605	1,045,084	1,115,127
Deferred tax liabilities	23	-	19,563	-
<b>Total non-current liabilities</b>		<u>381,605</u>	<u>1,064,647</u>	<u>1,115,127</u>

The accompanying notes are an integral part of these financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	As at 31.12.2019 USD	As at 31.12.2018 USD Restated	As at 1.1.2018 USD Restated
<b>Current liabilities</b>				
Trade payables	24	73,516	142,922	210,551
Other payables	25	1,330,013	1,465,560	1,694,907
Amount due to Directors	17	264,398	317,102	322,917
Bank borrowings	20	38,000	197,782	200,344
Provision for taxation		-	11,799	8,647
<b>Total current liabilities</b>		<u>1,705,927</u>	<u>2,135,165</u>	<u>2,437,366</u>
<b>Total liabilities</b>		<u>2,087,532</u>	<u>3,199,812</u>	<u>3,552,493</u>
<b>Total equity and liabilities</b>		<u><u>7,231,901</u></u>	<u><u>9,526,000</u></u>	<u><u>10,209,993</u></u>

The accompanying notes are an integral part of these financial statements

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 USD	2018 USD
<b>Continuing operations</b>			
Revenue	26	1,596,552	3,505,459
Cost of sales		<u>(1,444,627)</u>	<u>(2,692,219)</u>
<b>Gross profit</b>		151,925	813,240
Other operating income		226,719	137,520
Administration expenses		(430,411)	(682,280)
Selling and marketing expenses		(34,660)	(95,616)
Other operating expenses		(1,208,737)	(338,502)
Impairment		<u>(148,000)</u>	<u>(26,000)</u>
<b>Loss from operations</b>		(1,443,164)	(191,638)
Finance costs	27	(36,022)	(53,351)
Share of results of an associate, net of tax		<u>193,297</u>	<u>-</u>
<b>Loss before taxation</b>	28	(1,285,889)	(244,989)
Income tax expense	29	<u>(2,864)</u>	<u>(36,217)</u>
<b>Loss for the financial year, net of tax</b>		(1,288,753)	(281,206)
<u>Other comprehensive loss</u>			
Foreign currency translation differences		<u>(1,800)</u>	<u>(7,585)</u>
<b>Total comprehensive expenses for the financial year</b>		<u><u>(1,290,553)</u></u>	<u><u>(288,791)</u></u>

The accompanying notes are an integral part of these financial statements

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 USD	2018 USD
<b>Net loss attributable to:</b>			
Owners of the Company		(901,145)	(311,809)
Non-controlling interest		<u>(387,608)</u>	<u>30,603</u>
<b>Loss for the financial year</b>		<u><u>(1,288,753)</u></u>	<u><u>(281,206)</u></u>
<b>Total comprehensive attributable to:</b>			
Owners of the Company		(903,188)	(313,526)
Non-controlling interest		<u>(387,365)</u>	<u>24,735</u>
<b>Total comprehensive expenses for the financial year</b>		<u><u>(1,290,553)</u></u>	<u><u>(288,791)</u></u>
<b>Loss Per Share</b>			
Basic loss per share (cents)	30	(1.64)	(0.37)
Diluted loss per share (cents)	30	<u><u>(1.64)</u></u>	<u><u>(0.37)</u></u>

The accompanying notes are an integral part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	-----Attributable to owners of the Company-----					
	-----Non-distributable-----		Distributable			
	Contributed share capital USD	Exchange translation reserve USD	Accumulated losses USD	Sub-total USD	Non- controlling interests USD	Total equity USD
As at 1 January 2019	7,193,190	(44,487)	(1,017,198)	6,131,505	194,683	6,326,188
Elimination of non-controlling interest at disposal of subsidiary	-	-	-	-	108,734	108,734
Loss for the financial year, net of tax	-	-	(901,145)	(901,145)	(387,608)	(1,288,753)
Other comprehensive loss for the financial year	-	(2,043)	-	(2,043)	243	(1,800)
Total comprehensive loss for the financial year	-	(2,043)	(901,145)	(903,188)	(387,365)	(1,290,553)
As at 31 December 2019	7,193,190	(46,530)	(1,918,343)	5,228,317	(83,948)	5,144,369

The accompanying notes are an integral part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	-----Attributable to owners of the Company-----					
	----Non-distributable----		Distributable			
	Contributed share capital USD	Exchange translation reserve USD	Accumulated losses USD	Sub-total USD	Non- controlling interests USD	Total equity USD
As at 1 January 2018	7,193,190	(42,770)	(705,389)	6,445,031	212,469	6,657,500
Non-controlling interests arising from acquisition of subsidiary	-	-	-	-	(42,521)	(42,521)
Loss for the financial year, net of tax			(311,809)	(311,809)	30,603	(281,206)
Other comprehensive loss for the financial year	-	(1,717)	-	(1,717)	(5,868)	(7,585)
Total comprehensive loss for the financial year	-	(1,717)	(311,809)	(313,526)	24,735	(288,791)
As at 31 December 2018	<u>7,193,190</u>	<u>(44,487)</u>	<u>(1,017,198)</u>	<u>6,131,505</u>	<u>194,683</u>	<u>6,326,188</u>

The accompanying notes are an integral part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	-----Attributable to owners of the Company-----					
	----Non-distributable----		Distributable			
	Contributed share capital USD	Exchange translation reserve USD	Accumulated losses USD	Sub-total USD	Non- controlling interests USD	Total equity USD
Balance as at 31 December 2016						
- As previously reported	7,816,817	(68,337)	(605,243)	7,143,237	146,013	7,289,250
- Effects of restated	(623,627)	-	-	(623,627)	-	(623,627)
Restated balance as at 1 January 2017	7,193,190	(68,337)	(605,243)	6,519,610	146,013	6,665,623
Loss for the financial year, net of tax	-	-	(100,146)	(100,146)	47,991	(52,155)
Other comprehensive income for the financial year	-	25,567	-	25,567	18,465	44,032
Total comprehensive loss for the financial year	-	25,567	(100,146)	(74,579)	66,456	(8,123)
Restated balance as at 31 December 2017	7,193,190	(42,770)	(705,389)	6,445,031	212,469	6,657,500

The accompanying notes are an integral part of these financial statements



## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 USD	2018 USD
<b>Cash flows from operating activities</b>			
Loss before taxation		(1,285,889)	(244,989)
<i>Adjustment for:</i>			
Bad debts written-off		799	250
Allowance of doubtful debts		(1,613)	5,110
Amortisation of intangible assets		52,576	12,893
Under provision of amortisation of intangible assets		28,188	-
Provision for impairment loss			
- amount due by associates		111,186	-
- investment in associates		103,446	-
- property, plant and equipment		54,578	-
- development cost		121,330	-
- trade receivables		135,977	-
- other receivables		283,818	-
- goodwill		148,000	26,000
Depreciation of right-of-use assets		16,932	-
Depreciation of property, plant and equipment		194,685	271,368
Plant and equipment written-off		1	-
Share of results of associates		(193,297)	-
Net gain on disposal of subsidiaries	9 (a)	(202,546)	-
Exchange difference on translation of foreign operations		(729)	667
Provision for liabilities		7,612	-
Financial charges		35,520	55,661
Foreign exchange gain - unrealised		-	(104,590)
<b>Operating (loss)/profit before working capital changes</b>		(389,426)	22,370
Decrease in inventories		228,402	282,184
(Increase)/Decrease in receivables		(5,954)	435,081
Increase/(Decrease) in payables		136,980	(209,507)
Increase/(Decrease) in amount due to Directors		23,321	(5,816)
<b>Cash (used in)/generated from operations</b>		(6,677)	524,312
Finance cost paid		(35,520)	(55,661)
Taxation (paid)/refund		(29,122)	26,484
<b>Net cash (used in)/generated from operating activities</b>		(71,319)	495,135
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(5,102)	(242,270)
Subscription of shares in a subsidiary		(14)	-
Development cost		(121,669)	-
Net cash inflow from acquisition of a subsidiary		-	11,048
Net cash inflow from disposal of subsidiaries	9 (b)	148,178	-
<b>Net cash generated from/(used in) investing activities</b>		21,393	(231,222)

The accompanying notes are an integral part of these financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	Note	2019 USD	2018 USD
<b>Cash flows from financing activities</b>			
Net advances from/(to) affiliated company		89,880	(293,133)
Net advances to associates		(2,628)	-
Repayment of borrowings		(53,418)	(72,605)
<b>Net cash generated from/(used in) financing activities</b>		<u>33,834</u>	<u>(365,738)</u>
<b>Net decrease in cash and cash equivalents</b>		(16,092)	(101,825)
<b>Cash and cash equivalents brought forward</b>		<u>350,289</u>	<u>452,114</u>
<b>Cash and cash equivalents carried forward</b>	31	<u><u>334,197</u></u>	<u><u>350,289</u></u>

The accompanying notes are an integral part of these financial statements

**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 USD</b>	<b>2018 USD</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	9	<u>3,338,848</u>	<u>3,338,848</u>
<b>Total non-current assets</b>		<u>3,338,848</u>	<u>3,338,848</u>
<b>Current assets</b>			
Other receivables	14	2,913,931	3,119,970
Amount due from subsidiary	15	<u>1,195,609</u>	<u>1,035,926</u>
<b>Total current assets</b>		<u>4,109,540</u>	<u>4,155,896</u>
<b>Total assets</b>		<u>7,448,388</u>	<u>7,494,744</u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	18	7,193,190	7,193,190
Retained profits		<u>255,198</u>	<u>301,554</u>
<b>Shareholders' fund</b>		<u>7,448,388</u>	<u>7,494,744</u>

The accompanying notes are an integral part of these financial statements

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	Note	2019 USD	2018 USD
<b>Continuing operations</b>			
Revenue		-	-
Cost of sales		<u>-</u>	<u>-</u>
<b>Gross profit</b>		-	-
Administration expenses		<u>(46,356)</u>	<u>(49,527)</u>
<b>Loss before taxation</b>		(46,356)	(49,527)
Income tax expense		<u>-</u>	<u>-</u>
<b>Loss for the financial year, net of tax</b>		<u><u>(46,356)</u></u>	<u><u>(49,527)</u></u>

The accompanying notes are an integral part of these financial statements

## STATEMENT OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	Share capital USD	Retained profits USD	Total USD
As at 1 January 2018	7,193,190	351,081	7,544,271
Loss for the financial year, net of tax	<u>-</u>	<u>(49,527)</u>	<u>(49,527)</u>
As at 31 December 2018 / 1 January 2019	7,193,190	301,554	7,494,744
Loss for the financial year, net of tax	<u>-</u>	<u>(46,356)</u>	<u>(46,356)</u>
As at 31 December 2019	<u><u>7,193,190</u></u>	<u><u>255,198</u></u>	<u><u>7,448,388</u></u>

The accompanying notes are an integral part of these financial statements

## STATEMENT OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	2019 USD	2018 USD
<b>Cash flows from operating activities</b>		
Loss before taxation	(46,356)	(49,527)
Decrease in amount due from affiliated companies	206,039	49,527
Increase in amount due from subsidiary	(159,683)	-
<b>Net cash generated from operating activities</b>	-	-
<b>Net increase in cash and cash equivalents</b>	-	-
<b>Cash and cash equivalents brought forward</b>	-	-
<b>Cash and cash equivalents carried forward</b>	-	-

The accompanying notes are an integral part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2019

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### 1. GENERAL INFORMATION

The Company was incorporated in and under the laws of Samoa on 7 March 2014 and was listed on the National Stock Exchange of Australia on 23 July 2014.

The registered offices are located at Level 2, Lotemau Centre, Vaea Street, Apia, Samoa and 31, Highgate Cct, North Kellyville NSW 2155, Australia.

The Company is investment holding company. The Group is principally engaged in manufacturing, supplying and importing, exporting of nano technology products, photo catalyst power, coating solutions and chemical solutions of every description, and manufacturing, supplying, importing, exporting of engine oil products.

The financial statements have been prepared based on the currency of the primary economic environment in which the entity operates (i.e., its functional currency). The functional currency of the subsidiaries is Ringgit Malaysia ("RM"), while the presentation currency of the Group and the Company are United States Dollars ("USD"). All financial information is presented in United States Dollars, unless otherwise stated.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Group and the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on the historical cost basis, except when indicated in the individual policy notes. The principal accounting policies adopted are set out below:

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities, including special purpose entity, controlled by the Company. The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investment includes transaction cost.

##### (ii) Associates

The Group and the Company recognises an associate based on the criterion of significant influence. Significant influence exists when the Company has the power to participate in the financial and operating policy decisions of the investee but has no control or joint control of those policies. This is normally (though not necessarily) accomplished when the Group and the Company, directly or indirectly through associates, holds 20 per cent, or more of the voting rights of the investee.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of consolidation (Continued)

#### (ii) Associates (Continued)

When the Group's and the Company's voting rights in investee are less than 20 per cent, the Group and the Company assesses of potential voting rights that are substantive, representation on the board of directors, participation in policy making processes, material transactions between the Group and the Company and the investee, interchange of managerial personnel and provision of essential technical information.

The Group and the Company may sometimes hold an insignificant equity interest in investee to cement a trading relationship and is represented on the board of the directors of the investee. If the Group's and the Company's representation on the board of directors is solely for the purpose of protecting the value of the investment rather than participation in the policy decisions, the investee is not classified as an associate.

As no consolidated financial statements have been prepared during the financial year, the investment in Associate is accounted for using the cost.

#### (iii) Business combination

Business combinations are accounted for by applying the purchase method from the acquisition date, which is the date on which the Group obtains control of the acquire. The cost of business combination is aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquire, and any costs directly attributable to the business combination.

When the cost of the business is in excess of the Group's interest in the net fair value of the identifiable asset, liabilities and contingent liabilities recognised, the excess recognised as goodwill. When the excess is negative, a bargain purchase gain is recognised immediately in profit and loss.

The non-controlling interest in the acquiree is measured at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

#### (iv) Acquisition of non-controlling interests

The Group accounts all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of consolidation (Continued)

#### (v) Loss of control

Upon the loss of control of a subsidiary, the Group recognises the difference between proceeds from the disposal of the subsidiary and its carrying amounts as of the date of disposal. If the Group retains any interest in the former subsidiary, that investment is accounted for as a financial asset from the date the entity ceases to be a subsidiary, provided that it does not become an associate or a jointly controlled entity. The carrying amount of the investment at the date that the entity ceases to be a subsidiary is regarded as the cost on initial measurement of the financial asset.

#### (vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holder of the Company, are presented in the consolidated statement of the financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have deficit balance.

#### (vii) Transaction eliminated on consolidated

Intra-group balances and transactions, including income, expenses and dividends, are eliminated in full in preparing the consolidated financial statements.

Unrealised profits and losses arising from the transactions with equity-accounted associates and jointly controlled entities are eliminated against the investment to the extent that there is evidence of an impairment of the asset transferred.

### (b) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Goodwill (Continued)

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the equity-accounted associates.

### (c) Functional and foreign currencies

#### (i) Functional and presentation currency

The individual financial statements of each entity in the Group and the Company are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in United States Dollar ("USD"), which is the Group's and the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

#### (ii) Foreign currency transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

#### (iii) Foreign operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Functional and foreign currencies (Continued)

#### (iii) Foreign operations (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate and joint ventures that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate and joint venture that includes a foreign operation while retaining significant influence and joint control, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

#### (d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(v).

Freehold land are not depreciated but is subject to impairment test if there is any indication of impairment.

On disposal of property, plant and equipment, the differences between disposal proceeds and its carrying amount is charged or credited to the financial statements.

Property, plant and equipment are written down to recoverable amounts if the recoverable amounts are less than their carrying values. Recoverable amount is the higher of an asset's net selling price and its value in use.

Depreciation is provided on the straight-line method at rates required to write off the cost or valuation of the property, plant and equipment to its residual value over its estimated useful life. the principal annual rates used are as follows:

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Property, plant and equipment (Continued)

	<u>Method</u>	<u>Useful life (years)</u>
ECR self-toilet system	Straight line	5
Electrical and fittings	Straight line	5
Factory building	Straight line	50
Furniture and fitting	Straight line	5
Leasehold land	Straight line	95 - 96
Machineries	Straight line	5
Motor vehicles	Straight line	5
Office equipment	Straight line	5
Renovation	Straight line	5
Simulator system	Straight line	10

Fully depreciated assets are retained in the financial statements at nominal values until they are no longer in use.

### (e) Impairment of non-financial assets

At each reporting date, the Group and the Company assesses whether there is any indication that the assets may be impaired. If any such indication exists, the recoverable amounts of the assets are estimated. Irrespective of whether there is any indication of impairment, an entity shall also: (a) test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount and (b) test goodwill acquired in a business combination for impairment annually.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless it reverses a previous revaluation, in which case it is treated as a revaluation decrease.

### (f) Investment property

The Group recognises a land, building (including a floor of a building), or both land and building, including a property under construction, as an investment property if it is within the Group's business model objective of holding the property for capital appreciation, rental income or both. An investment property is recorded at cost on initial recognition. Cost of an investment property comprises purchase price plus all directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Investment property (Continued)

Investment property whose fair value cannot be measured reliably without undue cost or effort are subsequently measured at cost less accumulated depreciation and impairment loss.

Freehold land is not depreciated but is subject to impairment test if there is any indication of impairment.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the financial period in which it arises.

### (g) Intangible assets

#### (i) Research and development

All expenditure for both research and development activities is recognised as an expense when it is incurred, unless it forms part of the cost of another recognised asset, in which case, the expenditure is capitalised in that asset.

#### (ii) Other intangible assets

Acquired identifiable intangible assets are recognised as an asset and initially measured at cost, which is the fair value of the consideration paid. Subsequently, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

The amortisation method used and the estimated useful lives of the respective classes of intangible assets are as follows:

	<u>Method</u>	<u>Useful life (years)</u>
Acquired licences	Straight-line	6 - 12

### (h) Investment in associates

An associate is an entity in which the Company have a long-term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour costs and overheads, where applicable, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### (j) Receivables

Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

### (k) Cash and cash equivalents

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

### (l) Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

A provision is measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the time value of money and the risk that the actual outcome might differ from the estimate made. the unwinding of the discount is recognised as an interest expense.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Liabilities

Payables are stated at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

### (n) Share capital

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividends to equity holders are recognised in the statements of changes in equity in the financial year in which they are paid or declared. Dividends on ordinary shares are recognised as liabilities when declared.

Redeemable preference shares issued are classified as equity as the preference shares bear no predetermined dividend rate and are redeemable at the discretion of the Board of Directors. The dividend on these preference shares are recognised in the statements of changes in equity in the financial year in which they are paid or declared.

### (o) Related parties

A party is related to an entity if:

- (i) Directly, or indirectly through one or more intermediaries, the party:
  - (a) Controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - (b) Has an interest in the entity that gives it significant influence over the entity; or
  - (c) Has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Leases

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- (i) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- (ii) the consumer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (iii) the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative standalone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

#### (i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfer ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Leases (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group's incremental borrowing rate is used. Generally, the Group use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee;
- (d) the exercise price under a purchase option that the Group are reasonably certain to exercise; and
- (e) penalties for early termination of a lease unless the Group are reasonably certain not to early terminate the contract.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Leases (Continued)

#### (ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is operating lease.

If an arrangement contains lease and non-lease components, the Group applies the applicable accounting standard to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease. The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of “revenue”.

### (q) Borrowings

#### (i) Classification

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the reporting period are included in non-current borrowings in the statement of financial position.

#### (ii) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Revenue recognition

The Group recognise revenue from contracts with customers for the provision of goods and services based on the five-step model as set out below:

- (i) Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- (ii) Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- (iii) Determine the transaction price: The transaction price is the amount of consideration to which the Group expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- (iv) Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expect to be entitled in exchange for satisfying each performance obligation.

The Company satisfy a performance obligation and recognise revenue over time of the Company's performance:

- (i) Do not create an asset with an alternative use to the Group and have an enforceable right to payment for performance completed to-date; or
- (ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- (iii) Provide benefits that the customer simultaneously receives and consumes as the Company perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfy a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

#### (i) Sales of goods

Revenue from the sales of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

#### (ii) Rendering of services

Revenue from rendering of services is recognised as and when the services are performed.

#### (iii) Rental income

Rental income is recognised on an accrual basis, unless collectability is in doubt, in which case it is recognised on a receipt basis.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) Income taxes

#### (i) Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

#### (ii) Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Employee benefits

#### (i) Short-term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

#### (ii) Defined contribution plans

Contributions payable to the defined contribution plan are recognised as a liability and an expense when the employees have rendered services to the Group.

### (u) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively.

#### (i) Initial recognition and measurement

Financial assets or financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the instrument.

A financial assets (unless it is a trade receivable without significant financing component) or a financial liabilities is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

The Group and the Company categorise financial instruments as follows:

#### *Financial assets*

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Financial instruments (Continued)

#### (ii) Financial instrument categories and subsequent measurement

##### *Financial assets*

##### **Amortised cost**

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

The Group and the Company categorise financial instruments as follows:

##### *Financial liabilities*

The category of financial liabilities at initial recognition is as follows:

##### **Amortised cost**

Other financial liabilities not categorised as fair value through profit or loss is subsequently measured at amortised cost using the effective interest method.

Foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

#### (iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group and the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Financial instruments (Continued)

#### (iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial assets are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (v) Impairment

#### (i) Financial assets

At each reporting date, the Group and the Company recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with the applicable accounting standard. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Impairment (Continued)

#### (ii) Non-financial assets

The carrying amounts of the other assets (except for inventories and deferred tax asset) are reviewed at each reporting period to determine whether there is any indication of impairment.

If any such indication exists, and then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in profit or loss.

In respect of non-financial assets, impairment losses recognised in prior periods are assessed at each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

## 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2019 reporting period. The Group's assessment of the impact of these new standards and interpretations is that they will result in no significant changes to the amount recognised or matters disclosed in the Group's financial statements.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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#### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

##### (a) Key sources of estimation uncertainty

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 discussed below.

##### (i) Intangible assets

The Group has intangible assets (other than goodwill) and the annual amortisation of intangible assets is charged to the statements of comprehensive income. The Group reviews the residual value and useful life of intangible assets at each reporting date in accordance with the accounting policy as disclosed in Note 2(g). Changes in the residual value arising from the impairment assessment and the review of useful life could have significant impact on the results of the Group.

##### (ii) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

##### (iii) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

##### (iv) Impairment of intangible assets

This requires management to estimate the expected future cash flows, to apply a suitable discount rate to determine the present value of those cash flows. The impairment assessment could be materially affected by the changes in the assumptions and estimates used in the cash flows projection.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (a) Key sources of estimation uncertainty (Continued)

###### (v) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a loan or receivable is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group and the Company's loan and receivables at the reporting date are disclosed in note to the financial statements.

In adoption of the applicable accounting standard, the Group and the Company assess on a forward-looking basis the expected credit loss associated with their debt instruments carried at amortised cost. The impairment methodology applied as disclosed in Note 2(s) depends on whether there has been a significant increase in credit risk

###### (vi) Carrying value of investment in subsidiaries

Investment in subsidiaries is reviewed for impairment annually in accordance with its accounting policy whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying values of investment in subsidiaries.

###### (vii) Impairment of investment in an associate

The Group and the Company assess at each reporting date whether the carrying amount of its investment in an associate is impaired. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include the use of discounted cash flows analysis, considering the current market value indicators and recent arms-length market transactions. These estimates provide reasonable approximations to the computation of recoverable amounts. In performing discounted cash flows analysis, discount rate and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. The growth rates used to forecast the projected cash flows for the following year approximate the performances of the respective investments based on the latest available management accounts.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 5. PROPERTY, PLANT AND EQUIPMENT

Group	ECR self-toilet system USD	Freehold land USD	Furniture, fittings and equipment USD	Leasehold land and factory building USD	Machineries USD	Motor vehicles USD	Office equipment USD	Renovation and signboard USD	Simulator system USD	Total USD
<i>Cost</i>										
At 1 January 2018	-	621,393	120,278	1,942,320	298,866	258,773	187,372	284,813	-	3,713,815
Reclassification	59,721	-	188,821	-	(216,638)	-	(187,372)	7,033	148,435	-
Addition	-	-	9,134	-	4,654	26,128	-	10,533	191,821	242,270
Exchange differences	(1,538)	(16,008)	(7,963)	(50,037)	(2,118)	(6,666)	-	(7,518)	(3,824)	(95,672)
At 31 December 2018	58,183	605,385	310,270	1,892,283	84,764	278,235	-	294,861	336,432	3,860,413
At 1 January 2019	58,183	605,385	310,270	1,892,283	84,764	278,235	-	294,861	336,432	3,860,413
Reclassification	-	(611,867)	(162,929)	(1,060,178)	-	(109,358)	-	(41,180)	-	(1,985,512)
Addition	-	-	3,316	-	-	-	-	1,786	-	5,102
Exchange differences	622	6,482	3,322	20,261	907	2,979	-	3,157	3,603	41,333
Written-off	-	-	(11,392)	-	(4,352)	-	-	(2,993)	-	(18,737)
At 31 December 2019	58,805	-	142,587	852,366	81,319	171,856	-	255,631	340,035	1,902,599

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	ECR self-toilet system USD	Freehold land USD	Furniture, fittings and equipment USD	Leasehold land and factory building USD	Machineries USD	Motor vehicles USD	Office equipment USD	Renovation and signboard USD	Simulator system USD	Total USD
<i>Accumulated depreciation</i>										
At 1 January 2018	-	-	44,223	74,107	104,110	224,153	80,254	99,154	-	626,001
Reclassification	23,888	-	80,081	-	(25,584)	-	(80,254)	1,869	-	-
Addition	11,789	-	58,295	31,821	3,009	39,148	-	59,141	68,165	271,368
Exchange differences	(767)	-	(3,953)	(2,319)	(2,062)	(6,279)	-	(3,364)	(878)	(19,622)
At 31 December 2018	34,910	-	178,646	103,609	79,473	257,022	-	156,800	67,287	877,747
At 1 January 2019	34,910	-	178,646	103,609	79,473	257,022	-	156,800	67,287	877,747
Reclassification	-	-	(162,929)	(66,813)	-	(88,216)	-	(41,179)	-	(359,137)
Addition	11,728	-	55,595	31,659	2,515	156	-	59,123	33,909	194,685
Impairment loss	-	-	35,669	-	-	156	-	18,753	-	54,578
Exchange differences	406	-	2,169	1,197	859	2,738	-	1,897	815	10,081
Written-off	-	-	(11,391)	-	(4,352)	-	-	(2,993)	-	(18,736)
At 31 December 2019	47,044	-	97,759	69,652	78,495	171,856	-	192,401	102,011	759,218

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	ECR self-toilet system USD	Freehold land USD	Furniture, fittings and equipment USD	Leasehold land and factory building USD	Machineries USD	Motor vehicles USD	Office equipment USD	Renovation and signboard USD	Simulator system USD	Total USD
<i>Net book value</i>										
At 31 December 2019	11,761	-	44,828	782,714	2,824	-	-	63,230	238,024	1,143,381
At 31 December 2018	23,273	605,385	131,624	1,788,674	5,291	21,213	-	138,061	269,145	2,982,666

- (i) Included in the net book value of properties, plant and equipment of the Group are motor vehicles amounted to Nil (2018: USD21,212) acquired under finance lease arrangements for which instalments are still outstanding at the end of the previous reporting period.
- (ii) The leasehold land and factory building of the Group has been pledged to a bank for borrowings as disclosed in Note 20 to the financial statements.
- (iii) The impairment loss relates to assets that were stolen - refer to Note 39 (a) for details.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 6. INVESTMENT PROPERTY

Group	At 1.1.2019 USD	Reclassification USD	At 31.12.2019 USD
<b>At cost</b>			
Freehold land	-	611,867	611,867

The fair value of the above investment property cannot be measured reliably without undue cost or effort, because the directors do not have relevant expertise in valuing such property and the service of an independent valuer is costly to the Group.

Freehold land has been reclassified from properties, plant and equipment for the intended purpose on capital appreciation.

#### 7. INTANGIBLE ASSETS

	Group	
	2019 USD	2018 USD
<b>Acquired licenses</b>		
<b>Cost</b>		
At beginning of the financial year	361,141	-
Acquired of subsidiary	-	361,141
Translation adjustments	3,867	-
At end of the financial year	365,008	361,141
<b>Accumulated amortisation</b>		
At beginning of the financial year	76,362	-
Acquired of subsidiary	-	63,635
Charge for the financial year	52,576	12,893
Under provided in respect of prior financial year	28,188	-
Translation adjustments	1,044	(166)
At end of the financial year	158,170	76,362
<b>Net book value</b>	206,838	284,779

Acquired licenses are patents in respect of exclusive ownership rights to the Republic of Korea and Malaysia territories with an initial term of 9 to 11 years commencing from 31 December 2016.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 8. RIGHT-OF-USE ASSETS

Group	Cafe USD	Motor vehicles USD	Total USD
<b>Cost</b>			
At beginning of the financial year	-	-	-
Acquired of subsidiary	-	26,408	26,408
Addition	57,029	-	57,029
At end of the financial year	57,029	26,408	83,437
<b>Accumulated amortisation</b>			
At beginning of the financial year	-	-	-
Acquired of subsidiary	-	5,281	5,281
Charge for the financial year	17,547	5,282	22,829
At end of the financial year	17,547	10,563	28,110
<b>Net book value</b>	39,482	15,845	55,327

#### 9. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 USD	2018 USD
Unquoted shares, at cost	3,338,848	3,338,848

Unless indicated, otherwise all subsidiaries are incorporated and operating in Malaysia as following:

Name of indirect subsidiaries	Principal place of business	Effective equity interest		Principal Activities
		2019 %	2018 %	
<u>Held by the Company</u>				
Nanopac (M) Sdn. Bhd.	Malaysia	100	100	- Investment holding - Production and distribution of Nano products

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 9. INVESTMENT IN SUBSIDIARIES (Continued)

Name of indirect subsidiaries	Principal place of business	Effective equity interest		Principal Activities
		2019 %	2018 %	
<u>Held through</u> <u>Nanopac (M) Sdn. Bhd.</u>				
Nanopac Innovation Limited *	Seychelles	51	51	- Production and distribution of Nano products
Nanopac Innovation (M) Sdn. Bhd. **	Malaysia	60	100	- Dormant
DNA Petrochem Sdn. Bhd. **	Malaysia	-	51	- Trading in base oil
Sega Lubricant Sdn. Bhd. **	Malaysia	-	51	- Trading in automotive oil
Nanotextile Sdn. Bhd. **	Malaysia	60	60	- Developing and promoting nanotechnology based products

\* The audited financial statements and auditors' report of the subsidiary are not available. The management accounts have been used for the purpose of consolidation.

\*\*This subsidiary was audited by other firm of chartered accountants.

#### Disposal of DNA Petrochem Sdn Bhd ("DNA") and Sega Lubricant Sdn Bhd ("SEGA")

During the financial year, Nanopac (M) Sdn. Bhd. ("NMSB"), a wholly owned subsidiary of the Company, disposed of its 2% equity interest in DNA and SEGA, a subsidiary of NMSB for a total cash consideration of USD2,433 and USD3,163 respectively. NMSB classified its remaining 49% equity interest in DNA and SEGA as associate given that NMSB has significant influence over the financial and operating policy decision of DNA and SEGA.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 9. INVESTMENT IN SUBSIDIARIES (Continued)

##### (a) Summary of the effects of disposal of DNA and SEGA

	<b>Group 2019 USD</b>
Identified net assets at disposal date:	
Property, plant and equipment	993,366
Development cost	1
Trade receivables	1
Other receivables	1
Current tax assets	22,965
Cash and cash equivalents	16,371
Borrowings	(812,623)
Deferred tax liabilities	(19,773)
Trade payables	(169,406)
Other payables	(189,865)
Amount due to Holding Company	(121,669)
Amount due to Director	(76,503)
Finance liabilities	(38,454)
	<u>(395,588)</u>
Less: Fair value of remaining stake as an associates	193,297
Group share at net assets disposed	(202,291)
Net disposal of proceeds	1,359
Reclassification of foreign currency translation reserve to profit or loss	1,104
	<u>202,546</u>
Net gain on disposal	<u>202,546</u>
Gain on disposal of net assets of subsidiary disposed	1,359
Fair value gain on remaining stake as an associate	<u>201,187</u>
Net gain on disposal	<u>202,546</u>

##### (b) Effects of disposal on cash flows:

	<b>Group 2019 USD</b>
Consideration received in cash	5,597
Less: Cash and cash equivalents of subsidiary disposed	<u>(142,581)</u>
Net cash inflows on disposal	<u>148,178</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 10. INVESTMENT IN ASSOCIATES

	Group	
	2019	2018
	USD	USD
At cost:		
At beginning of the financial year	-	-
Acquired of subsidiary	103,735	-
Less: Allowance for impairment losses	(103,446)	-
Translation adjustments	(289)	-
	<u>-</u>	<u>-</u>
At end of the financial year	<u>-</u>	<u>-</u>

	Group	
	2019	2018
	USD	USD
<b><u>Allowance for impairment losses</u></b>		
At beginning of the financial year	-	-
Addition	103,735	-
Translation adjustments	(289)	-
	<u>103,446</u>	<u>-</u>
At end of the financial year	<u>103,446</u>	<u>-</u>

Details of the indirect associates are as follows:

Name of indirect associates	Principal place of business	Effective equity interest		Principal Activities
		2019	2018	
		%	%	
<u>Held through</u>				
<u>Nanopac (M) Sdn. Bhd.</u>				
DNA Petrochem Sdn. Bhd.	Malaysia	49	*	- Trading in base oil
Sega Lubricant Sdn. Bhd.	Malaysia	49	*	- Trading in automotive oil

\* Refer to Note 9 to the financial statements for further details.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 11. GOODWILL ON CONSOLIDATION

	Group	
	2019 USD	2018 USD
At cost:		
At beginning of the financial year	1,938,848	1,964,848
Impairment recognised	<u>(148,000)</u>	<u>(26,000)</u>
At end of the financial year	<u>1,790,848</u>	<u>1,938,848</u>

#### Impairment testing for cash-generating units containing goodwill

The recoverable amount of the goodwill is assessed based on its estimated value in use. The value in use was estimated by discounting the projected future cash flows to be generated from the continuing use of the unit based on the following key assumptions:

- There will be no material changes in the structure and principal activities of the subsidiary.
- There will not be any significant changes in economic conditions or other abnormal factors, which will adversely affect the operation of the subsidiary.
- Cash flows were projected based on actual operating results for the financial year ended December 2020 ("FY2020") and the subsequent 5 years projected cash flows.
- Financial year ending December 2021 ("FY2021") budget was used as a base where no significant changes in profitability is anticipated in view of the current economic situation and a 2% growth from year 2022 to year 2025 has been projected in line with economic growth projected.
- Discount rate of 9% was applied on the projected cash flows in determining the recoverable amount of the above investment.

#### 12. INVENTORIES

	Group	
	2019 USD	2018 USD
<i>Cost</i>		
Nano technology products	88,994	295,784
Solar panel - work in progress	<u>7,261</u>	<u>-</u>
	96,255	295,784
<i>At net realisable value</i>		
Nano technology products	<u>-</u>	<u>25,434</u>
	<u>96,255</u>	<u>321,218</u>
<b>Recognised to profit or loss</b>		
Inventories recognised as cost of sales	<u>259,566</u>	<u>2,599,926</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 13. TRADE RECEIVABLES

	<b>Group</b>	
	<b>2019 USD</b>	<b>2018 USD</b>
Trade receivables	<u>16,256</u>	<u>374,806</u>
Aging analysis:		
Neither past due nor impaired	-	279,806
Past due but not impaired:		
30 days past due	3,816	57,821
More than 60 days past due	<u>12,440</u>	<u>37,179</u>
	<u>16,256</u>	<u>374,806</u>

The Company's normal trade credit terms range from 30 to 60 days (2018: 30 to 60 days) Other credit terms are assessed and varied on a case-by-case basis.

#### Trade receivable that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions.

#### Trade receivable that are past due but not impaired

The Group has trade receivable amounting to Nil (2018: USD95,000) that are past due at the reporting date but not impaired. The Directors and the management are confident that the outstanding amount are recoverable as these accounts are still active and have not defaulted on payments based on historical trends.

#### 14. OTHER RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<b>2019 USD</b>	<b>2018 USD</b>	<b>2019 USD</b>	<b>2018 USD</b>
Other receivables	31,089	10,271	-	-
Amount due from affiliated Companies*	2,913,931	3,003,810	2,913,931	3,119,970
Deposit	9,551	15,987	-	-
Prepayment:	-	1,916	-	-
GST input tax	<u>6,398</u>	<u>83,326</u>	<u>-</u>	<u>-</u>
	<u>2,960,969</u>	<u>3,115,310</u>	<u>2,913,931</u>	<u>3,119,970</u>

\*The amount due from affiliated Companies is unsecured, interest free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 15. AMOUNT DUE FROM SUBSIDIARY

The amount due from subsidiary is unsecured, interest free and repayable on demand.

#### 16. AMOUNT DUE FROM ASSOCIATES

	Group	
	2019 USD	2018 USD
Amount due from associates	124,297	-
Less: Allowance for impairment losses		
At beginning of the financial year	-	-
Addition	111,186	-
Translation adjustments	311	-
At end of the financial year	111,186	-
	<u>12,800</u>	<u>-</u>

The amount due from associates is unsecured, interest free and repayable on demand.

#### 17. AMOUNT DUE TO DIRECTORS

The amount due to Directors is unsecured, interest free and repayable on demand.

#### 18. SHARE CAPITAL

	2019	Group/Company 2019	2018	2018
	No. of shares	Monetary value USD	No. of shares	Monetary value USD
<b>Issued and fully paid</b>				
Ordinary shares				
Balance at beginning of the financial year	58,816,917	6,993,190	58,816,917	7,616,817
- Effect of restated	-	-	-	(623,627)
As restated	58,816,917	6,993,190	58,816,917	6,993,190
“A” Converting shares	20,000,000	200,000	20,000,000	200,000
At end of the financial year	<u>78,816,917</u>	<u>7,193,190</u>	<u>78,816,917</u>	<u>7,193,190</u>

##### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 18. SHARE CAPITAL (Continued)

##### "A" Converting Shares

The "A" Converting Shares are convertible automatically into ordinary shares once the Company has raised additional capital in excess of US\$10,000,000 provided the holder will not hold more than 75% of the issued ordinary shares. These shares otherwise rank pari passu with ordinary shares. No further "A" Converting Shares may be issued.

##### PAR Value

All shares have a par value of US\$0.01. The Company has an authorised capital of US\$14,000,001.

#### 19. NON-CONTROLLING INTERESTS

This consists of the non-controlling interest shareholders' proportion of share capital and reserves of a subsidiary, net of their share of subsidiary's goodwill on consolidation and amortisation of goodwill charged to the non-controlling interest shareholders.

#### 20. BORROWINGS

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
<u>Current</u>		
Bank overdraft (Secured)	-	146,487
Term loans (Secured)	17,153	39,632
	<u>17,153</u>	<u>186,119</u>
Finance lease liabilities (Note 21)	-	11,663
Lease liabilities (Note 22)	20,847	-
	<u>38,000</u>	<u>197,782</u>
<u>Non-current</u>		
Term loans (Secured)	342,828	989,037
Finance lease liabilities (Note 21)	-	56,047
Lease liabilities (Note 22)	38,777	-
	<u>381,605</u>	<u>1,045,084</u>
<u>Total borrowings</u>		
Bank overdraft (Secured)	-	146,487
Term loans (Secured)	359,981	1,028,669
	<u>359,981</u>	<u>1,175,156</u>
Finance lease liabilities (Note 21)	-	67,710
Lease liabilities (Note 22)	59,624	-
	<u>419,605</u>	<u>1,242,866</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 20. BORROWINGS (Continued)

	Group
	2019 USD
	2018 USD
Maturities of borrowings (excluding lease liabilities and finance lease liabilities):	
Within one year	17,153
More than 1 year and less than 2 years	17,843
More than 2 years and less than 5 years	57,948
More than 5 years	267,037
	<u>359,981</u>
	<u>1,175,156</u>

The effective interest rates at reporting date for the above borrowing were as follows:

	Group
	2019 USD
	2018 USD
Bank overdraft	-
Term loans	4.02%
Finance lease liabilities	-
Lease liabilities	4.78%
	<u>-</u>

The above bank borrowings were secured by way of:

- (i) The leasehold land and factory buildings of the Group;
- (ii) Joint and several guarantees by certain directors of the Group; and
- (iii) Corporate guarantee given by the subsidiary Companies.

#### 21. FINANCE LEASE LIABILITIES

	Group
	2019 USD
	2018 USD
Finance lease obligations repayable:	
- Within one year	-
- More than 1 year and less than 5 years	-
- More than 5 years	-
	<u>14,519</u>
	<u>57,185</u>
	<u>4,571</u>
	<u>76,275</u>
Future finance charges	-
	<u>(8,565)</u>
	<u>67,710</u>
Principal amount repayable:	
- Within one year	-
- More than 1 year and less than 5 years	-
- More than 5 years	-
	<u>11,663</u>
	<u>51,601</u>
	<u>4,446</u>
	<u>67,710</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 22. LEASE LIABILITIES

	Group	
	2019 USD	2018 USD
At beginning of the financial year	-	-
Acquired of subsidiary	22,472	-
Addition	57,029	-
Repayment of principal	(23,244)	-
Interest expenses recognised in profit or loss	3,367	-
	<u>59,624</u>	<u>-</u>
At end of the financial year	<u>59,624</u>	<u>-</u>
<u>Current</u>		
Within 1 year	20,847	-
<u>Non-current</u>		
More than 1 year and less than 5 years	38,422	-
More than 5 years	355	-
	<u>59,624</u>	<u>-</u>

#### 23. DEFERRED TAX LIABILITIES

	Group	
	2019 USD	2018 USD
At beginning of the financial year	19,563	8,940
Amount recognised in profit or loss	(19,563)	10,623
	<u>-</u>	<u>19,563</u>
At end of the financial year	<u>-</u>	<u>19,563</u>

#### 24. TRADE PAYABLES

The normal trade credit terms granted to the Company range from 30 to 60 days (2018: 30 to 60 days). There is no other element of payables included in trade payables.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 25. OTHER PAYABLES

	Group	
	2019 USD	2018 USD
Other payables	34,878	160,289
Amount due to affiliated Companies*	1,273,612	1,275,139
Accruals	21,523	30,132
Total other payables and accruals	1,330,013	1,465,560

\*The amount due to affiliated Companies is unsecured, interest free and repayable on demand.

#### 26. REVENUE

	Group	
	2019 USD	2018 USD
Revenue consists of:		
- Nano technology products and other related services	512,468	937,392
- Café/Restaurant	23,306	6,461
- Automotive oil trading	327,615	714,599
- Based oil trading	733,163	1,847,007
	1,596,552	3,505,459

#### 27. FINANCE COSTS

	Group	
	2019 USD	2018 USD
Interest - lease liabilities	2,572	-
Interest - bank	502	720
Interest - overdraft	3,065	6,144
Interest - finance leases	39	3,365
Interest - term loan	29,844	43,122
	36,022	53,351

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 28. LOSS BEFORE TAXATION

Loss before taxation has been arrived at:

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
After charging:		
Allowance for doubtful debts	-	5,110
Amortisation of intangible assets	52,576	12,893
Under provision of amortisation of intangible assets	28,188	-
Audit fees	5,533	7,177
Over provision of audit fees	(607)	-
Bad debts written-off	799	250
Depreciation of property, plant and equipment	194,685	271,368
Depreciation of right-of-use assets	16,932	-
Directors' remuneration	69,206	139,204
Interest expenses	35,520	54,942
Plant and equipment written-off	1	-
Provision for impairment loss:		
- amount due by associates	111,186	-
- investment in associates	103,446	-
- property, plant and equipment	54,578	-
- development cost	121,330	-
- trade receivables	135,977	-
- other receivables	283,818	-
- goodwill	148,000	26,000
Provision for liabilities	7,612	-
Realised loss on foreign exchange	2,153	9,826
Rental of premises	1,165	44,902
Staff costs	185,416	241,563
And crediting:		
Allowance for doubtful debts written back	(1,613)	-
Interest income	(20,127)	(170)
Net gain on disposal of subsidiaries	(202,546)	-
Rental income	(1,213)	(29,268)
Share of results of associates	(193,297)	-
Sundry income	(840)	-
Unrealised gain on foreign exchange	(380)	(104,590)

The numbers of employees of the Group and the Company including Directors as at the end of the financial year are 3 (2019: 3).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 29. INCOME TAX EXPENSE

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Current income tax expense:		
- Taxes payable in Malaysia	-	27,318
Under/(Over) provision in prior financial year's taxation	2,864	(2,097)
Deferred tax assets	-	10,996
	<u>2,864</u>	<u>10,996</u>
Total tax expense for the financial year	<u>2,864</u>	<u>36,217</u>
Reconciliation of tax expense:		
Loss before taxation	<u>(1,285,889)</u>	<u>(244,989)</u>
Tax at the statutory income tax rate	(310,252)	(16,592)
Under/(Over) provision in prior financial year's taxation	2,864	(1,724)
Tax effects of expenses disallowed for tax purpose:		
- Other expenses disallowed for tax purposes	286,683	40,981
Deferred tax assets	23,569	13,552
	<u>2,864</u>	<u>36,217</u>
Tax expense	<u>2,864</u>	<u>36,217</u>

Provision for enterprise income tax of the subsidiaries operating in Malaysia is made in accordance with the income tax law of Malaysia concerning Foreign Investment Enterprises and Foreign Enterprises. Taxation has been provided at the appropriate tax rates prevailing in Malaysia in which the Group operates on the estimated assessable profits for the financial period. These rates generally range from 18% to 24% (2018: 18% to 24%) for the reporting period.

#### 30. LOSS PER SHARE

The loss per share is calculated based on the consolidated loss attributable to owners of the Company divided by the weighted average number of shares on issue of 78,816,917 (2018: 78,816,917) shares during the financial year.

The following table reflect the loss and share data used in the computation of diluted loss per share from continuing operations for the financial period ended 31 December:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Weighted average number of ordinary shares for the purpose of calculating dilute loss per share	<u>78,816,917</u>	<u>78,816,917</u>
Loss for the purpose of calculating basic and diluted loss per share	<u>(1,290,553)</u>	<u>(288,791)</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 31. CASH AND CASH EQUIVALENTS

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Cash and bank balances	334,197	496,776
Bank overdraft (Note 20)	-	(146,487)
Total cash and cash equivalents	<u>334,197</u>	<u>350,289</u>

The Group's cash and cash equivalents exposure to foreign currency (a currency which is other than the functional currency of the Group entities and the Company) risk were:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Ringgit Malaysia	126,365	24,707
United States Dollar	176,704	172,018
Euro Dollar	6,331	73,090
Hong Kong Dollar	24,626	80,308
Pound Sterling	171	166
Total cash and cash equivalents	<u>334,197</u>	<u>350,289</u>

#### 32. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel of the Group and the Company are those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Group and the Company. The directors of the Company and the general management of the Group and the Company are considered as key management personnel of the Group and the Company.

The remuneration of key management personnel during the financial year was as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Short-term employee benefits		
- Fees	48,509	96,780
- Salaries and other remuneration	<u>20,697</u>	<u>42,424</u>
	<u>69,206</u>	<u>139,204</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

### 33. RELATED PARTY DISCLOSURES

#### (a) Identities of related parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group have related party relationships with its directors, key management personal and entities within the same group of Companies.

#### (b) Significant related party transactions and balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial period:-

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Sales to affiliated Companies	-	56,148	-	-
Directors' remuneration	69,206	139,204	-	-
Amount due from affiliated Companies	2,913,931	3,003,810	2,913,931	3,119,970
Amount due from Subsidiary	-	-	1,195,609	1,035,926
Amount due from Associates	12,800	-	-	-
Amount due to affiliated Companies	<u>1,273,612</u>	<u>1,275,139</u>	<u>-</u>	<u>-</u>

The directors are of the opinion that all the transactions above have been entered into the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

### 34. FOREIGN EXCHANGE RATE

The principal closing foreign exchange rates used (expressed on basis of one unit of foreign currency to USD equivalent) for the transaction of foreign currency balances at the statement of financial position date are as follows:

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 34. FOREIGN EXCHANGE RATE (Continued)

	Group/Company	
	2019	2018
	USD	USD
Hong Kong Dollar	7.7883	7.8316
Malaysia Ringgit	4.1095	4.1535
Euro Dollar	0.8926	0.8741
Great Britain Pound	<u>0.7623</u>	<u>0.7879</u>

#### 35. FINANCIAL INSTRUMENTS

##### (a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised under IFRS 9 as follows:

	Group		Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
<b>Financial assets</b>				
At amortised cost:				
Trade receivables	16,256	374,806	-	-
Other receivables, net of prepayments	2,960,969	3,115,310	2,913,931	3,119,970
Amount due from associates	12,800	-	-	-
Amount due from subsidiary	-	-	1,195,609	1,035,926
Cash and cash equivalents	<u>334,197</u>	<u>496,776</u>	<u>-</u>	<u>-</u>
	<u>3,324,222</u>	<u>3,986,892</u>	<u>4,109,540</u>	<u>4,155,896</u>
<b>Financial liabilities</b>				
At amortised cost:				
Trade payables	73,516	142,922	-	-
Other payables	1,330,013	1,465,560	-	-
Amount due to Directors	264,398	317,102	-	-
Bank borrowings	<u>419,605</u>	<u>1,242,866</u>	<u>-</u>	<u>-</u>
	<u>2,087,532</u>	<u>3,168,450</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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#### 35. FINANCIAL INSTRUMENTS (Continued)

##### (b) Financial Risk Management Objectives and Policies

The Group is exposed to the financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's and the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close cooperation with the Groups' operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

##### (i) Credit risk

The Group's and the Company's exposure to credit risk, or the risk of counterparties defaulting arises mainly from trade and other receivables. The group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

##### (a) Credit risk concentration profile

The Group and the Company does not have any major concentration of credit risk related to any individual customer or counterparty.

##### (b) Exposure of credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group and the Company after deducting any allowances for impairment losses (where applicable).

##### (c) Assessment of impairment losses

At each reporting date, the Group and the Company assesses whether any of the financial assets at amortised cost and contract assets are credit impaired. The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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#### 35. FINANCIAL INSTRUMENTS (Continued)

##### (b) Financial Risk Management Objectives and Policies (Continued)

###### (i) Credit risk (Continued)

###### (d) Assessment of impairment losses

At each reporting date, the Group and the Company assesses whether any of the financial assets at amortised cost and contract assets are credit impaired. The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

###### Trade receivables

The Group and the Company applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

###### Other receivables

Other receivables are also subject to the impairment requirements of the applicable accounting standards, the identified impairment loss was immaterial and hence, it is not provided for.

###### Cash and cash equivalents

The cash and cash equivalents are held with banks. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks have low credit risks. Hence, a loss allowance is not necessary.

###### (ii) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group and the Company practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain credit facilities.

Analysis of financial instruments by remaining contractual maturities

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on undiscounted contractual cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 35. FINANCIAL INSTRUMENTS (Continued)

##### (b) Financial Risk Management Objectives and Policies (Continued)

##### (ii) Liquidity risk (Continued)

Financial liabilities	Less than 1 year USD	Between 1 to 5 years USD	More than 5 years USD	Total USD
<b>2019 Group</b>				
Trade payables	73,516	-	-	73,516
Other payables	1,330,013	-	-	1,330,013
Amount due to Directors	264,398	-	-	264,398
Bank borrowings	38,000	114,213	267,392	419,605
	1,705,927	114,213	267,392	2,087,532

Financial liabilities	Less than 1 year USD	Between 1 to 5 years USD	More than 5 years USD	Total USD
<b>2018 Group</b>				
Trade payables	142,922	-	-	142,922
Other payables	1,465,560	-	-	1,465,560
Amount due to Directors	317,102	-	-	317,102
Bank borrowings	197,782	755,562	289,522	1,242,866
	2,123,366	755,562	289,522	3,168,450

#### 36. CAPITAL RISK MANAGEMENT

The consolidated group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **AS AT 31 DECEMBER 2019**

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#### **36. CAPITAL RISK MANAGEMENT (Continued)**

In order to maintain or adjust the capital structure, the consolidated group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated group is not actively pursuing additional investments in the short term as it continues integrate and grow its existing businesses in order to maximise synergies.

The consolidated group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

#### **37. SEGMENT REPORTING**

The Group is principally engaged in the manufacturing, supplying, importing, exporting of nano technology products, photo catalyst power, coating solutions and chemical solutions of every description and manufacturing, supplying, importing and exporting of engine oil products in Malaysia. For management purposes, the Group operates in one business unit based on its services and products, and has one reportable segment.

Since most of the Group's revenue was generated in Malaysia, no geographical information is presented.

#### **38. CONTINGENCIES AND COMMITMENTS**

The Group and the Company had neither contingent liabilities/assets nor any financial commitments as at 31 December 2019.

#### **39. RESTATEMENT OF COMPARATIVE FIGURES**

During 2019, the Group discovered that the share capital amount had been erroneously accounted in its financial statements. As a consequence, the share capital has been overstated. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summaries the impacts on the Group's consolidated financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

#### 39. RESTATEMENT OF COMPARATIVE FIGURES (Continued)

##### *Consolidated statement of financial position*

	<b>Impact of correction of error</b>		
	<b>As previously reported</b>	<b>Adjustments</b>	<b>As restated</b>
<b>1 January 2018</b>			
Other receivables	4,179,499	(575,627)	3,603,872
Others	6,606,121	-	6,606,121
<b>Total assets</b>	<b>10,785,620</b>	<b>(575,627)</b>	<b>10,209,993</b>
Amount due to Directors	(274,917)	(48,000)	(322,917)
Others	(3,229,576)	-	(3,229,576)
<b>Total liabilities</b>	<b>(3,504,493)</b>	<b>(48,000)</b>	<b>(3,552,493)</b>
Share capital	(7,816,817)	623,627	(7,193,190)
Others	535,690	-	535,690
<b>Total equity</b>	<b>(7,281,127)</b>	<b>623,627</b>	<b>(6,657,500)</b>
	<b>As previously reported</b>	<b>Adjustments</b>	<b>As restated</b>
<b>31 December 2018</b>			
Other receivables	3,803,813	(688,503)	3,115,310
Others	6,410,690	-	6,410,690
<b>Total assets</b>	<b>10,214,503</b>	<b>(688,503)</b>	<b>9,526,000</b>
Other payables	(1,530,436)	64,876	(1,465,560)
Others	(1,734,252)	-	(1,734,252)
<b>Total liabilities</b>	<b>(3,264,688)</b>	<b>64,876</b>	<b>(3,199,812)</b>
Share capital	(7,816,817)	623,627	(7,193,190)
Others	867,002	-	867,002
<b>Total equity</b>	<b>(6,949,815)</b>	<b>623,627</b>	<b>(6,326,188)</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### AS AT 31 DECEMBER 2019

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#### 40. SIGNIFICANT EVENTS DURING REPORTING DATE

On 21 September 2019, the director lodged a police report due to the assets including motor vehicle, equipment, inventories, petty cash and all accounting records and documents of the subsidiaries SEGA and DNA were stolen.

#### 41. SIGNIFICANT EVENT AFTER THE REPORTING DATE

Tee Chong Teck & 32 others (“the Plaintiff”) and Nanopac (M) Sdn. Bhd. (“the Subsidiary”)

On 17 January 2020, the Plaintiffs filed to writ to Shah Alam High Court against Nanopac Innovation Limited, Nanopac (M) Sdn. Bhd. (“the Subsidiary”), Cheng Kok Leong, Gain Angel International Sdn. Bhd., Idia Investment and Farid, Wong & Wee (“the defendants”).

The Plaintiff was filed on the ground of the 6 defendants conspired to cheat through misrepresentation to the 32 plaintiffs. They claimed to nullify the agreement signed with the Company and request full compensation.

On 3 July 2020, SP Ng & Associates have applied to strike out the case on behalf of the Subsidiary and filed to the Shah Alam High Court for remove or cancel the legal action against the Subsidiary.

The hearing of the striking out application is fixed for hearing on 26 October 2020 before the Learned High Court Judge.

The directors after obtain advice from their solicitor strongly believes that the Subsidiary is not held responsible for the alleged claimed. Accordingly, no provision has been made with regard to this matter.

#### 42. AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated **30 DEC 2021**

## STOCK EXCHANGE INFORMATION

The shareholders information set out below was applicable as at 29 December 2021.

### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of Shareholders	Number of shares held
1 to 1,000	14	6,094
1,001 to 5,000	246	1,104,581
5,001 to 10,000	356	2,622,007
10,001 to 100,000	386	10,234,261
100,001 and over	39	44,849,974
Total	1,041	58,816,917

### Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

No.	Shareholder	No. of Shares Held	% Held
1	Dato' Dr. Cheng Kok Leong	15,221,172	25.879
2	BNP Paribas Nominees Pty Ltd	10,489,128	17.834
3	Nanopac Co Ltd	6,000,000	10.201
4	Mrs Choy May Chan	2,589,842	4.403
5	Lee Tai Kyu	1,500,000	2.550
6	Cheng Kok Keong	1,353,015	2.300
7	Ms Wai Yee Chin	1,000,000	1.700
8	Chong Ai Lee	639,887	1.088
9	Lim Sam Teck	367,666	0.625
10	Boon Kim Tek	347,791	0.591
11	Ho Nyuk Lam	330,809	0.562
12	Lai Kok Voon	306,069	0.520
13	Lai Yin Ting	300,000	0.510
14	Yong Voon Kien	300,000	0.510
15	Tan Pei Sin	286,333	0.487
16	Chong Chit Jin	251,768	0.428
17	Leaw Kiem Koon	250,460	0.426
18	Siah Kim Keong	225,692	0.384
19	Chia Chui Hoong	200,000	0.340
20	Poh Geok Soo	197,998	0.337