

NANOPAC INNOVATION LIMITED (ARBN 169020580)
(Incorporated in Samoa)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

NANOPAC INNOVATION LIMITED (ARBN 169020580)
(Incorporated in Samoa)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

CONTENTS

| | Page No. |
|--|----------|
| STATEMENT BY DIRECTORS | 1 |
| INDEPENDENT AUDITORS' REVIEW REPORT | 2 |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 3 |
| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 4 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 5 |
| CONSOLIDATED STATEMENT OF CASH FLOWS | 6 |
| NOTES TO THE FINANCIAL STATEMENTS | 7 - 13 |

STATEMENT BY DIRECTORS

The directors of **NANOPAC INNOVATION LIMITED** state that, in their opinion, the accompanying interim consolidated financial statements of the Group 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 as at 30 June 2018, financial performance, changes in equity and cash flows of the Group for the six-month period ended 30 June 2018.

Approved by the Board and signed on behalf of the Directors


DATO' DR. CHENG KOK LEONG
Director


HO CHIN WOI
Director

Petaling Jaya, Malaysia

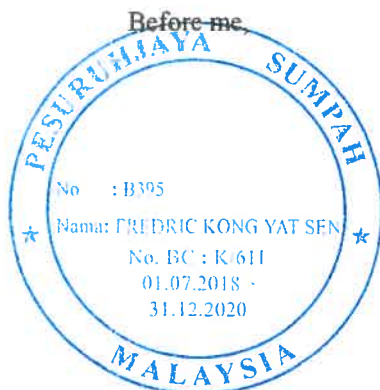
Dated : 6 May 2020

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 financial statements set out on page 3 to 13 are, in my opinion, 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 **DATO' DR. CHENG KOK LEONG**)
at Petaling Jaya in Selangor, Malaysia)
on 6 May 2020)


DATO' DR. CHENG KOK LEONG
Director





Commissioner for Oaths

Y. L. CHEE & CO. (AF 0725) Chartered Accountants (Malaysia)

Office Address : 12A-2, Jalan PJU8/5C, Damansara Perdana
47820 Petaling Jaya, Selangor Darul Ehsan
E-mail Address : audit@ylchee.com / ylcglobal@gmail.com
Website : www.ylchee.com

Tel : 603-7729 2731 / 603-7710 2821
603-7710 3371 / 603-7710 3391
Fax: 603-7726 3422 / 603-7728 6025
Office Hours : Mon –Fri (9.00 am – 6.00 pm)

**REPORT ON REVIEW OF HALF YEARLY FINANCIAL INFORMATION
FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018**

**TO THE MEMBERS OF
NANOPAC INNOVATION LIMITED (ARBN 169020580)**
(Incorporated in Samoa)

Introduction

We have reviewed the financial statements of **NANOPAC INNOVATION LIMITED**, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards ("IFRS"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards.



Y. L. CHEE & CO.
(Firm Number : AF 0725)
Chartered Accountants (Malaysia)



CHEE YON LONG
01407/07/2021 J
Chartered Accountant

Petaling Jaya, Malaysia
Dated : 6 May 2020

NANOPAC INNOVATION LIMITED (ARBN 169020580)
(Incorporated in Samoa)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

| | Note | 30.06.2018 USD | 31.12.2017 USD (Restated) |
|--|-------------|---------------------------------|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 3 | 3,019,515 | 3,087,814 |
| Goodwill | 4 | 1,964,848 | 1,964,848 |
| | | <u>4,984,363</u> | <u>5,052,662</u> |
| CURRENT ASSETS | | | |
| Inventories | | 305,039 | 603,402 |
| Trade receivables | | 303,424 | 326,686 |
| Other receivables | | 4,364,346 | 4,179,499 |
| Current tax assets | | 23,900 | 18,230 |
| Cash and cash equivalents | | 461,963 | 605,141 |
| | | <u>5,458,672</u> | <u>5,732,958</u> |
| TOTAL ASSETS | | <u><u>10,443,035</u></u> | <u><u>10,785,620</u></u> |
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Share capital | 5 | 7,816,817 | 7,816,817 |
| Reserve | | (45,902) | (42,770) |
| Accumulated losses | | (1,000,701) | (705,389) |
| Equity attributable to the owners of the company | | <u>6,770,214</u> | <u>7,068,658</u> |
| Non-controlling interest | | 215,886 | 212,469 |
| TOTAL EQUITY | | <u><u>6,986,010</u></u> | <u><u>7,182,127</u></u> |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 6 | 1,100,508 | 1,115,127 |
| Deferred tax liabilities | | 8,966 | - |
| Total Non-current Liabilities | | <u>1,109,474</u> | <u>1,115,127</u> |
| CURRENT LIABILITIES | | | |
| Trade payables | | 117,658 | 210,551 |
| Other payables | | 1,589,602 | 1,694,907 |
| Due to a director | | 429,473 | 274,917 |
| Borrowings | 6 | 206,517 | 200,344 |
| Current tax liabilities | | 4,211 | 8,647 |
| Total Current Liabilities | | <u>2,347,461</u> | <u>2,389,366</u> |
| TOTAL LIABILITIES | | <u><u>3,456,935</u></u> | <u><u>3,504,493</u></u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>10,443,035</u></u> | <u><u>10,785,620</u></u> |

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

| | Note | Period from 1.1.2018 to 30.06.2018 USD | Period from 1.1.2017 to 30.06.2017 USD |
|---|-------------|---|---|
| Revenue | | 1,445,551 | 1,796,674 |
| Cost of sales | | <u>(1,226,039)</u> | <u>(1,446,767)</u> |
| Gross profit | | 219,512 | 349,907 |
| Other operating income | | 1,803 | 1,496 |
| Selling and marketing expenses | | (22,850) | (313,129) |
| Administration expenses | | <u>(463,345)</u> | <u>(149,481)</u> |
| Operating (loss)/profit | | (264,880) | (111,207) |
| Finance costs | | <u>(27,676)</u> | <u>(165)</u> |
| Loss before tax | | (292,556) | (111,372) |
| Income tax expense | | <u>-</u> | <u>-</u> |
| Loss after tax | | <u><u>(292,556)</u></u> | <u><u>(111,372)</u></u> |
| Other comprehensive gain/(loss) | | | |
| Foreign currency translation differences | | <u>(2,471)</u> | <u>232</u> |
| Total comprehensive loss for the period | | <u><u>(295,027)</u></u> | <u><u>(111,140)</u></u> |
| Net loss for the period attributable to: | | | |
| Owners of the Company | | (295,312) | (118,152) |
| Non-controlling interest | | <u>2,756</u> | <u>6,780</u> |
| | | <u><u>(292,556)</u></u> | <u><u>(111,372)</u></u> |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | | (298,444) | (117,920) |
| Non-controlling interest | | <u>3,417</u> | <u>6,780</u> |
| | | <u><u>(295,027)</u></u> | <u><u>(111,140)</u></u> |
| Loss Per Share | | | |
| Basic loss per share (cents) | 8 | (0.42) | (0.16) |
| Diluted loss per share (cents) | 8 | <u><u>(0.42)</u></u> | <u><u>(0.16)</u></u> |

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

| <i>Group</i> | Share capital USD | Accumulated losses USD | Reserve USD | Total Shareholders' equity | Non- controlling interests USD | Total USD |
|---|----------------------------------|---------------------------------------|------------------------|---|---|----------------------|
| As at 1 January 2017 | 7,816,817 | (605,243) | (68,337) | 7,143,237 | 146,013 | 7,289,250 |
| Total comprehensive (loss)/profit for the period | - | (118,152) | - | (118,152) | 6,780 | 111,372 |
| Foreign currency translation differences | - | - | 232 | 232 | - | 232 |
| As at 30 June 2017 | <u>7,816,817</u> | <u>(723,395)</u> | <u>(68,105)</u> | <u>7,025,317</u> | <u>152,793</u> | <u>7,178,110</u> |
| As at 1 January 2018 | 7,816,817 | (705,389) | (42,770) | 7,068,658 | 212,469 | 7,281,127 |
| Total comprehensive (loss)/profit for the period | - | (295,312) | - | (295,312) | 2,756 | (292,556) |
| Foreign currency translation differences | - | - | (3,132) | (3,132) | 661 | (2,471) |
| As at 30 June 2018 | <u>7,816,817</u> | <u>(1,000,701)</u> | <u>(45,902)</u> | <u>6,760,214</u> | <u>215,886</u> | <u>(295,027)</u> |

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

| | Period from 1.1.2018 to 30.06.2018 USD | Period from 1.1.2017 to 30.06.2017 USD |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash used in operations | (54,295) | (391,481) |
| Finance cost paid | (27,676) | (166) |
| Net cash used in operating activities | <u>(81,971)</u> | <u>(391,647)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (21,010) | (1,354,007) |
| Investment in subsidiaries | - | (103,358) |
| Net cash used in investing activities | <u>(21,010)</u> | <u>(1,457,365)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Shares issued during the period | - | 1,988,741 |
| Net repayment of borrowings | (39,290) | - |
| Net cash used in investing activities | <u>(39,290)</u> | <u>1,988,741</u> |
| Net decrease in cash and cash equivalents | (142,271) | 139,729 |
| Cash and cash equivalents at beginning of the period | <u>452,114</u> | <u>1,132,913</u> |
| Cash and cash equivalents at end of the period | <u><u>309,843</u></u> | <u><u>1,272,641</u></u> |
| Represented by: | | |
| Cash and bank balances | 461,963 | 1,272,641 |
| Bank overdraft | (152,120) | - |
| | <u><u>309,843</u></u> | <u><u>1,272,641</u></u> |

The accompanying notes form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

1. BASIC OF PREPARATION

The interim financial statement of the Group for the financial period from 1 January 2018 to 30 June 2018 have been prepared in accordance with International Financial Reporting Standards, IFRS 134: Interim Financial Reporting.

The interim financial statements do not include all notes of the type normally included in an annual financial statements. It is therefore recommended that the interim financial statements be read in conjunction with the financial statements of the Group for financial year ended 31 December 2017 and any public announcement made during the interim reporting period.

2. CHANGES IN ACCOUNTING POLICIES

The same accounting policies and methods of recognition and measurement have been followed in the interim financial statements as were applied in the most recent financial statements of the Group.

The Directors anticipate that the adoption of the new or amended accounting standards are not expected to be relevant or have material impact on the financial statements of the Group in the period of initial application.

3. PROPERTY, PLANT AND EQUIPMENT

| | As at 1 January 2018 USD (Restated) | Additions USD | Translation adjustment USD | Disposals USD | As at 30 June 2018 USD |
|--------------------------------|---|------------------|----------------------------------|------------------|------------------------------|
| <u>Cost</u> | | | | | |
| Freehold land | 621,393 | - | 1,802 | - | 623,195 |
| Leasehold land and building | 1,942,320 | - | 5,633 | - | 1,947,953 |
| Motor vehicle | 258,773 | 26,128 | 1,519 | - | 286,420 |
| Office equipment | 187,372 | 4,812 | (1,198) | - | 190,986 |
| Furniture and fitting | 120,278 | 139 | 353 | - | 120,770 |
| Machineries | 298,866 | 6,797 | 1,066 | - | 306,729 |
| Renovation | 284,813 | 8,910 | 2,971 | - | 296,694 |
| | <u>3,713,815</u> | <u>46,786</u> | <u>12,146</u> | <u>-</u> | <u>3,772,747</u> |

NANOPAC INNOVATION LIMITED (ARBN 169020580)

(Incorporated in Samoa)

3. PROPERTY, PLANT AND EQUIPMENT – (continued)

| | As at 1 January 2018 USD (Restated) | Charges for the period USD | Translation adjustment USD | Disposals USD | As at 30 June 2018 USD |
|--|---|-------------------------------------|----------------------------------|------------------|------------------------------|
| <u>Accumulated Depreciation</u> | | | | | |
| Leasehold land and building | 74,107 | 27,506 | 659 | - | 102,272 |
| Motor vehicle | 224,153 | 19,574 | 966 | - | 244,693 |
| Office equipment | 80,254 | 15,296 | 480 | - | 96,030 |
| Furniture and fitting | 44,223 | 13,443 | 346 | - | 58,012 |
| Machineries | 104,110 | 14,723 | 540 | - | 119,373 |
| Renovation | 99,154 | 32,879 | 819 | - | 132,852 |
| | 626,001 | 123,421 | 3,810 | - | 753,232 |

| | 30.06.2018 USD | 31.12.2017 USD (Restated) |
|-------------------------------|-------------------|---------------------------------|
| <u>Carrying Amount</u> | | |
| Freehold land | 623,195 | 621,393 |
| Leasehold land and building | 1,845,681 | 1,868,213 |
| Motor vehicle | 41,727 | 34,620 |
| Office equipment | 94,956 | 107,118 |
| Furniture and fitting | 62,758 | 72,769 |
| Machineries | 187,356 | 194,756 |
| Renovation | 163,842 | 188,945 |
| | <u>3,019,515</u> | <u>3,087,814</u> |

4. GOODWILL

| <i>Group</i> | 30.06.2018 USD | 31.12.2017 USD |
|---------------------------------|-------------------|-------------------|
| At beginning of the period/year | 1,964,848 | 1,747,848 |
| Acquisition | - | 217,000 |
| At end of the period/year | <u>1,964,848</u> | <u>1,964,848</u> |

NANOPAC INNOVATION LIMITED (ARBN 169020580)

(Incorporated in Samoa)

5. SHARE CAPITAL

| | Number of ordinary shares of USD0.1125 each | | Amount | |
|------------------------------|--|---------------------|-------------------|---------------------------------|
| | 30.06.2018 Units | 31.12.2017 Units | 30.06.2018 USD | 31.12.2017 USD (Restated) |
| Ordinary shares - fully paid | 58,816,917 | 58,816,917 | 7,616,817 | 7,616,817 |
| "A" Converting Shares | 20,000,000 | 20,000,000 | 200,000 | 200,000 |
| Total | 78,816,917 | 78,816,917 | 7,816,817 | 7,816,817 |

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.

"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.

6. BORROWINGS

| | 30.06.2018 USD | 31.12.2017 USD |
|------------------------------------|-------------------|-------------------|
| <u>Current</u> | | |
| Bank overdraft (Secured) | 152,120 | 153,026 |
| Term loans (Secured) | 42,706 | 39,087 |
| | 194,826 | 192,113 |
| Finance lease liabilities (Note 7) | 11,691 | 8,231 |
| | 206,517 | 200,344 |

NANOPAC INNOVATION LIMITED (ARBN 169020580)

(Incorporated in Samoa)

6. BORROWINGS - (CONTINUED)Non-current

| | | |
|------------------------------------|------------------|------------------|
| Term loans (Secured) | 1,036,961 | 1,059,509 |
| Finance lease liabilities (Note 7) | 63,547 | 46,679 |
| | <u>1,100,508</u> | <u>1,106,188</u> |

Total borrowings

| | | |
|------------------------------------|------------------|------------------|
| Bank overdraft (Secured) | 152,120 | 153,026 |
| Term loans (Secured) | 1,079,667 | 1,098,596 |
| | <u>1,231,787</u> | <u>1,251,622</u> |
| Finance lease liabilities (Note 7) | 75,238 | 54,910 |
| | <u>1,307,025</u> | <u>1,306,532</u> |

Maturities of borrowings**(excluding finance lease liabilities):**

| | | |
|---|------------------|------------------|
| Within one year | 194,826 | 192,113 |
| More than 1 year and less than 2 years | 42,180 | 40,952 |
| More than 2 years and less than 5 years | 139,229 | 706,911 |
| 5 years or more | 855,552 | 311,645 |
| | <u>1,231,787</u> | <u>1,251,621</u> |

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

| | 30.06.2018 | 31.12.2017 |
|---------------------------|----------------------|--------------|
| Bank overdraft | 8.20% | 8.20% |
| Term loans | 4.65% - 4.77% | 4.65% |
| Finance lease liabilities | <u>4.05% - 4.78%</u> | <u>4.05%</u> |

The above bank borrowings were secured by way of:

- i. Leasehold land and buildings of the Group;
- ii. Joint and several guarantee by certain directors of the Group and the Company;
and
- iii. Corporate guarantee given by the subsidiary companies.

NANOPAC INNOVATION LIMITED (ARBN 169020580)

(Incorporated in Samoa)

7. FINANCE LEASE LIABILITIES

| | 30.06.2018 USD | 31.12.2017 USD |
|---|-------------------|-------------------|
| Finance lease obligations repayable: | | |
| Within one year | 14,954 | 10,572 |
| More than 1 year and less than 5 years | 59,780 | 42,288 |
| More than 5 years | 10,833 | 9,662 |
| | <u>85,608</u> | <u>62,522</u> |
| Future finance charges | <u>(10,370)</u> | <u>(7,612)</u> |
| Present value of finance lease payables | <u>75,238</u> | <u>54,910</u> |
| Principal amount repayable: | | |
| Within one year | 11,691 | 8,231 |
| More than 1 year and less than 5 years | 52,922 | 32,925 |
| More than 5 years | 10,625 | 13,754 |
| | <u>75,238</u> | <u>54,910</u> |

8. 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 70,000,000 (2017: 70,000,000) shares during the financial period.

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

| | From 1.1.2018 to 30.06.2018 USD | From 1.1.2017 to 30.06.2017 USD |
|---|--|--|
| Weighted average number of ordinary shares for the purpose of calculating dilute loss per share | <u>70,000,000</u> | <u>70,000,000</u> |
| Loss for the purpose of calculating basic and diluted loss per share | <u>(295,027)</u> | <u>(111,140)</u> |

NANOPAC INNOVATION LIMITED (ARBN 169020580)

(Incorporated in Samoa)

9. INVESTMENT IN SUBSIDIARIES

| | 30.06.2018 USD | 31.12.2017 USD |
|--------------------------|-------------------|-------------------|
| Unquoted shares, at cost | <u>3,338,848</u> | <u>3,338,848</u> |

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

| <u>Name of company</u> | <u>Effective equity interest</u> | | <u>Principal activity</u> |
|---|----------------------------------|-------------|--|
| | <u>2018</u> | <u>2017</u> | |
| | % | % | |
| <u>Held by the Company</u> | | | |
| Nanopac (M) Sdn Bhd | 100 | 100 | - Investment holding - Production and distribution of Nano products |
| <u>Held through Nanopac (M) Sdn Bhd</u> | | | |
| Nanopac Innovation (M) Sdn Bhd | 100 | 100 | - Dormant |
| DNA Petrochem Sdn Bhd | 51 | 51 | - Trading in base oil |
| Sega Lubricant Sdn Bhd | 51 | 51 | - Trading in automotive oil |

10. RESTATEMENT OF COMPARATIVE FIGURES

| | As previously stated 31.12.2017 USD | Amount restated USD | As restated 31.12.2017 USD |
|--|---|---------------------------|-------------------------------------|
| <u>Consolidated Statement of financial position</u> | | | |
| Property, plant and equipment | 3,084,780 | 3,034 | 3,087,814 |
| Intangible asset | 3,034 | (3,034) | - |
| Other receivables | 7,899,464 | (3,719,965) | 4,179,499 |
| Other payable | 2,586,150 | (891,243) | 1,694,907 |
| Share capital | 7,881,691 | (64,874) | 7,816,817 |
| Reserve | - | (42,770) | (42,770) |
| Retained earnings | 2,015,689 | (2,721,078) | (705,389) |

The comparative figures have been audited by a firm of chartered accountants other than YL Chee & Co.

11. SIGNIFICANT RELATED PARTY DISCLOSURES

There are no related parties transaction in the financial period.

12. SIGNIFICANT EVENT AFTER REPORTING DATE

On 28 August 2018, the Group acquired 60% equity interest in Nanotextile Sdn Bhd for a cash consideration of USD 7,223.

On 6 August 2019, the nominee directors on the boards of the subsidiaries, DNA Petrochem Sdn Bhd and Segal Lubricant Sdn Bhd (the “Subsidiaries”) lodged a Police report against two of the other Directors in respect of actions which it is believed amounted to Criminal Breach of Trust.

Subsequently, the Company suspects that a staff member in the subsidiary, Nanopac (M) Sdn Bhd had stolen important information including shareholder contacts details and passed the information to one of the Directors that implicated with the Criminal Breach of Trust. The Company believes that they have conspired and used the information to spread unsubstantiated rumours to all shareholders with the intention to damage the reputation of the Company and its Directors.

The staff member responsible has currently suspended and under police investigation. The Company is seeking legal advice for next course of action.

13. CONTINGENCIES AND COMMITMENTS

The Group had neither contingent liabilities/assets nor any financial commitments as at 30 June 2018.