

**NANOVEU PTE. LTD.
AND ITS SUBSIDIARY
(Incorporated in Singapore)
(Company Registration Number: 201228747G)**

**DIRECTORS' STATEMENT AND
AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 OCTOBER 2017**

**NANOVEU PTE. LTD.
AND ITS SUBSIDIARY
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**FOR THE YEAR ENDED
31 OCTOBER 2017**

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**NANOVEU PTE. LTD.
AND ITS SUBSIDIARY
DIRECTORS' STATEMENT
For the financial year ended 31 October 2017**

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of NANOVEU PTE. LTD. (the "Company") and its subsidiary (the "Group") and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 October 2017.

1. Opinion of the directors

In the opinion of the directors,

- (a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 October 2017 and the financial performance, changes in equity and cash flows of the Company for the year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

Chong Teck Eng
Goh Ann Ann Johnson
Marianna Tan Siok Oon (Mrs Marianna Fossick)

3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the 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.

4. Directors' interests in shares or debentures

According to the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations except as stated below:

Name of Directors	Direct interest	
	At the beginning of financial year	At the end of financial year
<i>Ordinary shares of the Company</i>		
Chong Teck Eng	687,106	687,106
Goh Ann Ann Johnson	39,737	39,737

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

**NANOVEU PTE. LTD.
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DIRECTORS' STATEMENT
For the financial year ended 31 October 2017**

5. Share options

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Subsequent to the financial year, there were options granted to subscribe for unissued shares of the Company. Details of all the options to subscribe for ordinary shares of the Company pursuant to the Employees' Share Option Plan are as follows:

<u>Expiry date</u>	<u>Exercise price (S\$)</u>	<u>Aggregate options outstanding as at end of the financial year</u>
31 May 2021	0.01	6,000
31 May 2021	0.01	6,000
31 May 2021	0.01	10,000
31 May 2021	0.01	4,000
31 May 2021	0.01	6,000
31 May 2021	0.01	3,000
Total		<u>35,000</u>

Details of the options to subscribe for ordinary shares of the Company granted to directors and consultants of the Company pursuant to the Employees' Share Option Plan are as follows:

<u>Name of Director</u>	<u>Aggregate options outstanding as at end of the financial year</u>
Goh Ann Ann Johnson	6,000
Marianna Tan Siok Oon (Mrs Marianna Fossick)	6,000
David Norman Symons	10,000
Manuel Fuertes Dominguez	4,000
Seow Kiat Wang	6,000
Kirstine Holme Bjergvang	3,000
	<u>35,000</u>

These options are exercisable between the periods from January 2018 to May 2021 at the exercise price of S\$0.01 if the vesting conditions are met.

NANOVEU PTE. LTD.
AND ITS SUBSIDIARY

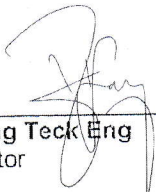
NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

6. Auditor

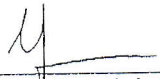
On 15 November 2017, Raffles PAC merged with Kong, Lim & Partners LLP and will be operating under the name Kong, Lim & Partners LLP.

Kong, Lim & Partners LLP has express its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,



Chong Teck Eng
Director



Goh Ann Ann Johnson
Director

Singapore 31 MAY 2018

**Independent Auditor's Report to the members of
NANOVEU PTE. LTD. AND ITS SUBSIDIARY**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the NANOVEU PTE. LTD. (the "Company") and its subsidiary (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 October 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group and the statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position, statement of comprehensive income and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 October 2017 and of the consolidated financial performance, consolidated changes in equity, consolidated cash flows of the Group and the financial performance and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 1 and 2.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 this other information, we are required to report that fact. We have nothing to report in this regard.

**Independent Auditor's Report to the members of
NANOVEU PTE. LTD. AND ITS SUBSIDIARY**

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 SSAs 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.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

**Independent Auditor's Report to the members of
NANOVEU PTE. LTD. AND ITS SUBSIDIARY**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



RAFFLES PAC
Public Accountants and
Chartered Accountants

Singapore, **31 MAY 2018**

**NANOVEU PTE. LTD.
AND ITS SUBSIDIARY**

STATEMENTS OF COMPREHENSIVE INCOME
For the financial year ended 31 October 2017

	Note	Group		Company	
		2017	2016	2017	2016
		S\$	S\$	S\$	S\$
Revenue	4	3,317	33,562	3,317	38,604
Cost of sales		(14,808)	(182,753)	(14,808)	(95,376)
Gross loss		(11,491)	(149,191)	(11,491)	(56,772)
Other income	5	22,823	51,017	23,314	51,693
Distribution expenses		(71,693)	(67,913)	(71,693)	(66,396)
Administrative expenses		(490,472)	(742,314)	(490,472)	(729,538)
Other expenses		(15,025)	(32,239)	(15,026)	(32,239)
		(554,367)	(791,449)	(553,877)	(776,480)
Loss before income tax	6	(565,858)	(940,640)	(565,368)	(833,252)
Income tax expense	8	-	-	-	-
Loss after tax and total comprehensive loss for the year		(565,858)	(940,640)	(565,368)	(833,252)
Other comprehensive loss:					
Currency translation differences arising from consolidation		149	(825)	-	-
Total other comprehensive income		149	(825)	-	-
Total comprehensive loss for the year		(565,709)	(941,465)	(565,368)	(833,252)

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

**NANOVEU PTE. LTD.
AND ITS SUBSIDIARY**

STATEMENTS OF FINANCIAL POSITION

As at 31 October 2017

	Note	Group		Company	
		2017 S\$	2016 S\$	2017 S\$	2016 S\$
Assets					
Non-current assets					
Plant and equipment	11	20,831	131,672	20,831	131,672
Intangible assets	12	225,603	297,096	225,603	297,096
Investment in a subsidiary	13	-	-	1,251	1,251
		<u>246,434</u>	<u>428,768</u>	<u>247,685</u>	<u>430,019</u>
Current assets					
Inventories	14	51,528	51,175	51,528	51,175
Trade receivables	15	-	12,797	96,730	109,527
Other current assets	16	9,444	8,083	9,444	8,083
Amount due from a subsidiary	17	-	-	18,212	18,212
Fixed deposit	18	30,154	30,154	30,154	30,154
Cash and bank balances	19	92,212	238,813	83,829	230,089
		<u>183,338</u>	<u>341,022</u>	<u>289,897</u>	<u>447,240</u>
Total assets		<u>429,772</u>	<u>769,790</u>	<u>537,582</u>	<u>877,259</u>
Equity and liabilities					
Equity					
Share capital	9	5,775,079	5,375,079	5,775,079	5,375,079
Accumulated losses		(5,399,615)	(4,833,757)	(5,292,481)	(4,727,113)
Translation reserve	10	(676)	(825)	-	-
Total equity		<u>374,788</u>	<u>540,497</u>	<u>482,598</u>	<u>647,966</u>
Liabilities					
Current liabilities					
Trade payables	20	43,058	218,810	43,058	218,810
Other payables and liabilities	21	11,926	10,483	11,926	10,483
Total liabilities		<u>54,984</u>	<u>229,293</u>	<u>54,984</u>	<u>229,293</u>
Total equity and liabilities		<u>429,772</u>	<u>769,790</u>	<u>537,582</u>	<u>877,259</u>

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

**NANOVEU PTE. LTD.
AND ITS SUBSIDIARY**

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 31 October 2017

	Share capital	Accumulated losses	Translation reserve	Total equity
	S\$	S\$	S\$	S\$
Group				
Balance as at 1 November 2015	5,275,079	(3,893,117)	-	1,381,962
Issuance of shares (Note 9)	100,000	-	-	100,000
Total comprehensive loss for the year	-	(940,640)	(825)	(941,465)
Balance as at 31 October 2016	5,375,079	(4,833,757)	(825)	540,497
Issuance of shares (Note 9)	400,000	-	-	400,000
Total comprehensive loss for the year	-	(565,858)	149	(565,709)
Balance as at 31 October 2017	<u>5,775,079</u>	<u>(5,399,615)</u>	<u>(676)</u>	<u>374,788</u>
Company				
Balance as at 1 November 2015	5,275,079	(3,893,861)	-	1,381,218
Issuance of shares (Note 9)	100,000	-	-	100,000
Total comprehensive loss for the year	-	(833,252)	-	(833,252)
Balance as at 31 October 2016	5,375,079	(4,727,113)	-	647,966
Issuance of shares (Note 9)	400,000	-	-	400,000
Total comprehensive loss for the year	-	(565,368)	-	(565,368)
Balance as at 31 October 2017	<u>5,775,079</u>	<u>(5,292,481)</u>	<u>-</u>	<u>482,598</u>

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

**NANOVEU PTE. LTD.
AND ITS SUBSIDIARY**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 October 2017

	<u>2017</u>	<u>2016</u>
	<u>S\$</u>	<u>S\$</u>
Cash flows from operating activities		
Loss before tax	(565,858)	(940,640)
<i>Adjustments for:</i>		
Interest income	-	(154)
Depreciation of plant and equipment	113,368	168,857
Gain on disposal of plant and equipment	-	(161)
Loss on disposal of associate	-	3,887
Amortisation of intangible assets	28,376	43,647
Waiver of trade payables	22,740	-
Intangible assets written off	48,615	-
Provision for inventories written back	(181)	-
Others	149	1,170
Operating cash flow before working capital changes	<u>(352,791)</u>	<u>(723,394)</u>
<i>Changes in working capital:</i>		
Inventories	(172)	65,668
Trade receivables	12,797	26,349
Other current assets	(1,361)	19,330
Amount due from related parties	-	23,915
Trade payables	(198,492)	190,910
Other payables and liabilities	1,443	(1,444)
Cash flows used in operating activities	<u>(538,576)</u>	<u>(398,666)</u>
Cash flows from investing activities		
Purchase of plant and equipment	(2,527)	(13,677)
Proceeds from disposal of plant and equipment	-	1,954
Purchase of intangible assets	(5,498)	(11,512)
Net cash flows used in investing activities	<u>(8,025)</u>	<u>(23,235)</u>
Cash flows from financing activities		
Interest received	-	154
Proceeds from issuance of shares	400,000	100,000
Net cash flows generated from financing activities	<u>400,000</u>	<u>100,154</u>
Net decrease in cash and bank balances	(146,601)	(321,747)
Cash and bank balances the beginning of financial year	<u>238,813</u>	<u>560,560</u>
Cash and bank balances at the end of financial year (Note 18)	<u>92,212</u>	<u>238,813</u>

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

**NANOVEU PTE. LTD.
AND ITS SUBSIDIARY**

NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

These notes form an integral part and should be read in conjunction with the accompanying financial statements.

1. General

NANOVEU PTE. LTD. (the "Company") is incorporated and domiciled in Singapore with its registered office and principal place of business at 3 Ang Mo Kio Street 62, #06-09 Link @AMK, Singapore 569139.

The principal activities of the Company are that of research and experimental development on engineering Nano technology hardware and development of software for interactive digital media, media security and authentication software.

The principal activities of the subsidiary are disclosed in Note 13 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company have been drawn up in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (S\$).

2.2 Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 November 2016. The adoption of these standards did not have any material effect on the financial statements.

2.3 Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are issued but effective for annual periods beginning after 1 November 2016, and have not been applied in preparing these financial statements. The Group does not plan to early adopt these standards.

The following standards that have been issued but not yet effective are as follows:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
FRS 115 Revenue from Contracts with Customers	1 Jan 2018
FRS 109 Financial Instruments	1 Jan 2018
Amendments to FRS 7: Disclosure Initiative	1 Jan 2017
Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 Jan 2018
FRS 116 Leases	1 Jan 2019

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

**NANOVEU PTE. LTD.
AND ITS SUBSIDIARY**

NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the end of the reporting period. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiary is consolidated from the date of acquisition, being the date on which the Group obtain control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.5 Foreign currency transactions and balances

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into S\$ at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

**NANOVEU PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

2. Summary of significant accounting policies (continued)

2.6 Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Years</u>
Office equipment	3
Machinery equipment	3
Furniture and fittings	3
Computers	3

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The useful lives, residual values and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de- recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

**NANOVEU PTE. LTD.
AND ITS SUBSIDIARY**

NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

2. Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

Acquired licences and trademarks

Trademarks and licences acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 10 years, which is the shorter of their estimated useful lives and periods of contractual rights.

2.8 Subsidiary

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out cost method and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

**NANOVEU PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

2. Summary of significant accounting policies (continued)

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs.

Subsequent measurement

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables comprise trade receivables, other current assets, amount due from a subsidiary and cash and bank balances.

De-recognition

A financial asset is de-recognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

**NANOVEU PTE. LTD.
AND ITS SUBSIDIARY**

NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

(b) Financial liabilities (continued)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Such financial liabilities comprise trade payables and other payables and liabilities.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.12 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

**NANOVEU PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

2. Summary of significant accounting policies (continued)

2.12 Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying amount of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.13 Cash and bank balances

Cash and bank balances are subject to an insignificant risk of changes in value.

2.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2.15 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Alternatively, government grants related to an asset may be presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting that related expenses.

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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

2. Summary of significant accounting policies (continued)

2.16 Employee benefits

Defined contribution plans

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.17 Operating lease

As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.18 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**NANOVEU PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

2. Summary of significant accounting policies (continued)

2.19 Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3. Significant accounting judgments and estimates

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

3.1 Judgments made in applying accounting policies

Determination of functional currency

In determining the functional currency of the Group, judgment is used by the Group to determine the currency of the primary economic environment in which the Group operates. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

3.2 Key sources of estimation of uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Useful lives of plant and equipment

The useful life of an item of property, plant and equipment is estimated at the time the asset is acquired and is based on historical experience with similar assets and takes into account anticipated technological or other changes. If changes occur more rapidly than anticipated or the asset experiences unexpected level of wear and tear, the useful life will be adjusted accordingly. The carrying amount of the Group's and Company's property, plant and equipment as at 31 October 2017 was S\$20,831 (2016: S\$131,672).

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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

3. Significant accounting judgments and estimates (continued)

3.2 Key sources of estimation of uncertainty (continued)

(b) Impairment of loans and receivables

The impairment of trade and other receivables is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and Company's trade receivables as at 31 October 2017 were S\$NIL and S\$12,797 (2016: S\$96,730 and S\$109,527).

4. Revenue

	Group		Company	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Sale of goods	3,317	33,562	3,317	38,604

5. Other income

	Group		Company	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Fixed deposit interest	-	154	-	154
Gain on foreign exchange	(491)	(402)	-	274
Gain on sale of plant and equipment	-	161	-	161
Government grant	-	51,104	-	51,104
Other income	574	-	574	-
Waiver of trade payables	22,740	-	22,740	-
	22,823	51,017	23,314	51,693

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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

6. Loss before tax

Loss before tax is derived after charging the following:

	Group		Company	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Amortisation of intangible assets	28,376	43,647	28,376	43,647
Consultancy fees	10,444	158,305	10,444	158,305
Depreciation of plant and equipment	113,368	168,857	113,368	168,857
Employee benefits expense (Note 7)	256,697	262,342	256,697	262,342
Legal fees	(4,888)	2,000	(4,888)	2,000
Office rental	35,548	35,500	35,548	35,500

7. Employee benefits expense

	Group		Company	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Directors' remuneration				
Salaries	80,000	79,750	80,000	79,750
CPF	10,962	8,608	10,962	8,608
	<u>90,962</u>	<u>88,358</u>	<u>90,962</u>	<u>88,358</u>
Staff				
Salaries and bonuses	128,941	135,852	128,941	135,852
CPF, FWL and SDL	19,628	17,612	19,628	17,612
Staff dental and medical	4,190	5,922	4,190	5,922
Staff insurance	2,236	5,598	2,236	5,598
Staff welfare	240	500	240	500
Transport allowance	10,500	8,500	10,500	8,500
	<u>165,735</u>	<u>173,984</u>	<u>165,735</u>	<u>173,984</u>
Total employee benefits expense	<u>256,697</u>	<u>262,342</u>	<u>256,697</u>	<u>262,342</u>

**NANOVEU PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

8. Income tax expense

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 October 2017 and 2016 were as follows:

	Group		Company	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Loss before tax	(565,858)	(940,640)	(565,368)	(833,252)
Income tax rate using statutory rate of 17% (2016: 17%)	(96,195)	(159,909)	(96,111)	(141,653)
Tax effects of:				
Non-deductible expenses	24,683	54,700	24,683	54,700
Deferred tax assets not recognised	71,512	105,209	71,512	86,953
	-	-	-	-

The Group has unrecognised tax losses of approximately S\$4,535,095 (2016: S\$4,114,433) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. They have not been recognised in the financial statements due to the uncertainty of their recovery.

9. Share capital

	Group and Company			
	2017		2016	
	Number of shares	Amount S\$	Number of shares	Amount S\$
Issued and fully paid ordinary shares:				
At beginning of year	1,374,348	5,375,079	1,364,348	5,275,079
Issued during the year	40,000	400,000	10,000	100,000
At end of year	1,414,348	5,775,079	1,374,348	5,375,079

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

10. Translation reserve

The translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

**NANOVEU PTE. LTD.
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NOTES TO FINANCIAL STATEMENTS
For the financial year ended 31 October 2017

11. Plant and equipment

	<u>Office equipment</u> S\$	<u>Machinery equipment</u> S\$	<u>Furniture and fittings</u> S\$	<u>Computers</u> S\$	<u>Total</u> S\$
Group and Company Cost					
At 01 November 2015	5,273	353,834	3,770	168,314	531,191
Additions	-	13,231	-	446	13,677
Disposals	-	-	-	(3,871)	(3,871)
At 31 October 2016	<u>5,273</u>	<u>367,065</u>	<u>3,770</u>	<u>164,889</u>	<u>540,997</u>
Additions	549	976	-	1,002	2,527
At 31 October 2017	<u>5,822</u>	<u>368,041</u>	<u>3,770</u>	<u>165,891</u>	<u>543,524</u>
Accumulated depreciation					
At 01 November 2015	4,320	143,728	2,934	91,564	242,546
Depreciation	866	118,608	790	48,593	168,857
Disposals	-	-	-	(2,078)	(2,078)
At 31 October 2016	<u>5,186</u>	<u>262,336</u>	<u>3,724</u>	<u>138,079</u>	<u>409,325</u>
Depreciation	141	86,688	46	26,493	113,368
At 31 October 2017	<u>5,327</u>	<u>349,024</u>	<u>3,770</u>	<u>164,572</u>	<u>522,693</u>
Carrying amount					
At 31 October 2016	<u>87</u>	<u>104,729</u>	<u>46</u>	<u>26,810</u>	<u>131,672</u>
At 31 October 2017	<u>495</u>	<u>19,017</u>	<u>-</u>	<u>1,319</u>	<u>20,831</u>

12. Intangible assets

	<u>Licences and Trademarks</u> S\$
Group and Company Cost	
At 01 November 2015	429,384
Additions	11,512
At 31 October 2016	<u>440,896</u>
Additions	5,498
Write off	(48,615)
At 31 October 2017	<u>397,779</u>
Accumulated amortisation	
At 01 November 2015	100,153
Amortisation	43,647
At 31 October 2016	<u>143,800</u>
Amortisation	28,376
At 31 October 2017	<u>172,176</u>
Carrying amount	
At 31 October 2016	<u>297,096</u>
At 31 October 2017	<u>225,603</u>

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NOTES TO FINANCIAL STATEMENTS
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13. Investment in a subsidiary

			Company	
			2017	2016
			S\$	S\$
Shares, at cost			1,251	1,251
Name	Principal place of business	Principal activities	Proportion (%) of ownership interest	
			2017	2016
Nanoveu Inc. *	United States of America	Sales of Nano technology and hardware	100	100

* Dormant

14. Inventories

		Group		Company	
		2017	2016	2017	2016
		S\$	S\$	S\$	S\$
Statement of financial position:					
Finished goods		291,370	291,198	291,370	291,198
Provision for inventory obsolescence		(239,842)	(240,023)	(239,842)	(240,023)
		51,528	51,175	51,528	51,175
Statement of comprehensive income:					
Inventories recognised as an expense in cost of sales		14,808	182,753	14,808	95,376

15. Trade receivables

		Group		Company	
		2017	2016	2017	2016
		S\$	S\$	S\$	S\$
Trade receivables:					
- Third party		-	12,797	-	12,797
- Subsidiary		-	-	96,730	96,730
		-	12,797	96,730	109,527

Trade receivables are unsecured, non-interest bearing and are generally cash on delivery terms (2016: 30 to 120 days).

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

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15. Trade receivables (continued)

Trade receivables are denominated in the following currencies.

	Group		Company	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Singapore Dollars	-	635	-	635
United States Dollars	-	11,803	96,730	108,533
Euros Dollars	-	359	-	359
	-	12,797	96,730	109,527

These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group		Company	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Current	-	7,201	-	7,201
Past due	-	5,596	96,730	102,326
	-	12,797	96,730	109,527

Receivables that were past due but not impaired

The Company had trade receivables amounting to S\$96,730 (2016: S\$102,326) that were past due at the reporting date but not impaired.

Receivables that were past due and impaired

There were no trade receivables that were past due and impaired.

16. Other current assets

	Group		Company	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Prepayment	250	220	250	220
Deposits	2,675	5,000	2,675	5,000
Staff loan	5,000	-	5,000	-
GST receivable	1,519	2,863	1,519	2,863
	9,444	8,083	9,444	8,083

Other current assets are denominated in Singapore Dollars.

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17. Amount due from a subsidiary

Amount due from a subsidiary is non-trade related, unsecured, non-interest bearing, repayable on demand and is to be settled in cash.

Amount due from subsidiary is denominated in United States Dollars.

18. Fixed deposit

Fixed deposit is made for varying periods and have maturity date of 92 to 365 days. Fixed deposit earn interest ranging from 0.15% to 0.25% per annum. The fixed deposits have been pledged as security for the setup of merchant services for online payment.

Fixed deposits are denominated in Singapore Dollars.

19. Cash and bank balances

	Group		Company	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Cash on hand	219	323	219	323
Cash at bank	91,993	238,490	83,610	229,766
	92,212	238,813	83,829	230,089

The cash and bank balances are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Singapore Dollars	83,829	220,613	78,440	220,613
United States Dollars	8,383	18,200	5,389	9,476
	92,212	238,813	83,829	230,089

20. Trade payables

	Group		Company	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Trade payables - third parties	43,058	218,810	43,058	218,810

Trade payables are non-interest bearing and are normally settled on 30 to 90 days terms (2016: 30 to 90 days).

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20. Trade payables (continued)

Trade payables are denominated in following currencies:

	Group		Company	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Singapore Dollars	43,058	180,164	43,058	180,164
United States Dollars	-	(2,406)	-	(2,406)
Japanese Yen	-	41,052	-	41,052
	<u>43,058</u>	<u>218,810</u>	<u>43,058</u>	<u>218,810</u>

21. Other payables and liabilities

	Group		Company	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
Accruals	11,292	9,531	11,292	9,531
Others	634	952	634	952
	<u>11,926</u>	<u>10,483</u>	<u>11,926</u>	<u>10,483</u>

Other payables and liabilities are denominated in the Singapore Dollars.

22. Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions with related parties took place at terms agreed between the parties during the financial year:

	Company	
	2017	2016
	S\$	S\$
Royalty fees paid to related party	<u>10,108</u>	<u>30,279</u>

Compensation of key management personnel

There is no other key management personnel in the Company other than the directors and the directors' remuneration are disclosed in Note 7.

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For the financial year ended 31 October 2017

23. Operating lease commitments

The Group leases office under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

The future minimum rental payable under non-cancellable operating leases contracted for at the reporting date but not recognised as assets, are as follows:

	<u>2017</u>	<u>2016</u>
	<u>S\$</u>	<u>S\$</u>
Within one year	-	36,000
Later than one year but within 5 years	-	3,000
	<u>-</u>	<u>39,000</u>

Minimum lease payments recognised as an expense in Group's and Company's profit or loss for the financial year ended 31 October 2017 amounted to S\$35,548 (2016: S\$35,500).

24. Financial risk management

The Group's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk and liquidity risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's exposure to the above- mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Exposure to credit risk

The Group has no significant concentration of credit risk other than those balances with one related party comprising 88% (2016: 88%) of trade receivables. The Group has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

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24. Financial risk management (continued)

Credit risk (continued)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balance is placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15.

Liquidity risk

Liquidity risk refers to the risk that the Group will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group's operations are financed mainly through equity. The directors are satisfied that funds are available to finance the operations of the Group.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	<u>Carrying amount</u> S\$	<u>Contractual cash flows</u> S\$	<u>One year or less</u> S\$
Group			
2017			
Financial assets:			
Other current assets	8,944	8,944	8,944
Fixed deposit	30,154	30,229	30,229
Cash and bank balances	92,212	92,212	92,212
Total undiscounted financial assets	<u>131,310</u>	<u>131,385</u>	<u>131,385</u>
Financial liabilities:			
Trade payables	43,058	43,058	43,058
Other payable and liabilities	11,926	11,926	11,926
Total undiscounted financial liabilities	<u>54,984</u>	<u>54,984</u>	<u>54,984</u>
Net undiscounted financial assets	<u>76,326</u>	<u>76,401</u>	<u>76,401</u>
2016			
Financial assets:			
Trade receivables	12,797	12,797	12,797
Other current assets	7,863	7,863	7,863
Fixed deposit	30,154	30,229	30,229
Cash and bank balances	238,813	238,813	238,813
Total undiscounted financial assets	<u>289,627</u>	<u>289,702</u>	<u>289,702</u>
Financial liabilities:			
Trade payables	218,810	218,810	218,810
Other payable and liabilities	10,483	10,483	10,483
Total undiscounted financial liabilities	<u>229,293</u>	<u>229,293</u>	<u>229,293</u>
Net undiscounted financial assets	<u>60,334</u>	<u>60,409</u>	<u>60,409</u>

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24. Financial risk management (continued)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

	Carrying amount	Contractual cash flows	One year or less
	S\$	S\$	S\$
Company			
2017			
Financial assets:			
Trade receivables	96,730	96,730	96,730
Other current assets	8,944	8,944	8,944
Amount due from a subsidiary	18,212	18,212	18,212
Fixed deposit	30,154	30,229	30,229
Cash and bank balances	83,829	83,829	83,829
Total undiscounted financial assets	<u>237,869</u>	<u>237,944</u>	<u>237,944</u>
Financial liabilities:			
Trade payables	43,058	43,058	43,058
Other payable and liabilities	11,926	11,926	11,926
Total undiscounted financial liabilities	<u>54,984</u>	<u>54,984</u>	<u>54,984</u>
Net undiscounted financial assets	<u>182,885</u>	<u>182,960</u>	<u>182,960</u>
2016			
Financial assets:			
Trade receivables	109,527	109,527	109,527
Other current assets	8,063	8,063	8,063
Amount due from a subsidiary	18,212	18,212	18,212
Fixed deposits	30,154	30,229	30,229
Cash and bank balances	230,089	230,089	230,089
Total undiscounted financial assets	<u>396,045</u>	<u>396,120</u>	<u>396,120</u>
Financial liabilities:			
Trade payable	218,810	218,810	218,810
Other payable and liabilities	10,483	10,483	10,483
Total undiscounted financial liabilities	<u>229,293</u>	<u>229,293</u>	<u>229,293</u>
Net undiscounted financial assets	<u>166,752</u>	<u>166,827</u>	<u>166,827</u>

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from fixed deposit.

The Group does not expect any significant effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

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24. Financial risk management (continued)

Market risk (continued)

Foreign currency risk

The Group and the Company's foreign exchange risk results mainly from cash flows from transactions denominated in foreign currencies. At present, the Group and the Company does not have any formal policy for hedging against currency risk. The Group and the Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

The Group and the Company has transactional currency exposures arising from expenses that are denominated in a currency other than the functional currency of the Company, primarily United States Dollars (USD).

A 10% strengthening of Singapore dollars against USD would have had equal but opposite effect the amounts shown, on the basis that all other variables remain constant.

	Group		Company	
	Loss before tax		Loss before tax	
	2017	2016	2017	2016
	S\$	S\$	S\$	S\$
USD	(838)	(3,527)	(15,049)	(12,328)

25. Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

Cash and bank balances, other current assets, deposits and other payables and liabilities

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

Trade receivables and trade payables

The carrying amounts of these balances approximate their fair values as they are subject to normal trade credit terms.

Fixed deposit

The carrying amounts of these balances approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

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26. Financial instruments by category

At the reporting date, the aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost were as follows:

	<u>2017</u>	<u>2016</u>
	S\$	S\$
Group		
Loan and receivables		
Trade receivables (Note 15)	-	12,797
Other current assets	9,194	7,863
Fixed deposit (Note 18)	30,154	30,154
Cash and bank balances (Note 19)	<u>92,212</u>	<u>238,813</u>
Total loans and receivables	<u>131,560</u>	<u>289,627</u>
Financial liabilities measured at amortised cost		
Trade payables (Note 20)	43,058	218,810
Other payables and liabilities (Note 21)	<u>11,926</u>	<u>10,483</u>
Total financial liabilities measured at amortised cost	<u>54,984</u>	<u>229,293</u>
Company		
Loan and receivables		
Trade receivables (Note 15)	96,730	109,527
Other current assets	9,194	8,063
Amount due from subsidiary (Note 17)	18,212	18,212
Fixed deposit (Note 18)	30,154	30,154
Cash and bank balances (Note 19)	<u>83,829</u>	<u>230,089</u>
Total loans and receivables	<u>238,119</u>	<u>396,045</u>
Financial liabilities measured at amortised cost		
Trade payables (Note 20)	43,058	218,810
Other payables and liabilities (Note 21)	<u>11,926</u>	<u>10,483</u>
Total financial liabilities measured at amortised cost	<u>54,984</u>	<u>229,293</u>

27. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 October 2017.

The Company is not subjected to either internal or external imposed capital requirements.

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28. Events occurring after the reporting period

- (i) On January 2018, Shareholders, at an EGM, of Nanoveu Pte Ltd voted in favor of forming a Special Purpose Vehicle (SPV) for the purpose of listing in Australia. Shareholders will exchange their shares in the Company for shares in the SPV at a later date as part of the IPO process.
- (ii) On 9 January 2018 and 13 February 2018, the shareholders approved to issue shares to directors under employee share plan:-

Name of Director	Date of grant	Exercise price	No. of ordinary shares
1. Goh Ann Ann Johnson	09-01-18	0.01	6,000
2. Marianna Tan Siok Oon (Mrs Marianna Fossick)	09-01-18	0.01	6,000
3. David Norman Symons	13-02-18	0.01	10,000
4. Manuel Fuertes Dominguez	13-02-18	0.01	4,000
5. Seow Kiat Wang	13-02-18	0.01	6,000
6. Kirstine Holme Bjergvang	13-02-18	0.01	3,000
			<u>35,000</u>

Share options to subscribe for unissued shares of the Company are valued at intrinsic value of the shares based on the price at which share or securities linked to share have been issued at the date closest to the grant date of the share options.

The fair value of options are recognised as an expense over the period from grant to vesting date.

- (iii) On 12 February 2018, the Company is authorised to issue the allotment of 10,000 new ordinary shares for a consideration of S\$100,000 (S\$10.00 per share).

29. Comparative figures

Change in reclassification

During 2017, the Company modified the classification of GST receivables to reflect more appropriately for current year presentation.

Group	Previously reported	Effect	After reclassification
	S\$	S\$	S\$
Statement of financial position as at 31 October 2017			
Trade receivables	15,660	(2,863)	12,797
Other current assets	5,220	2,863	8,083
Company			
Statement of financial position as at 31 October 2017			
Trade receivables	112,390	(2,863)	109,527
Other current assets	5,220	2,863	8,083

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30. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 October 2017 were authorised for issue by the Board of Directors on the date of the Directors' Statement.