

TRANSAKT LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010

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FINANCIAL STATEMENTS

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TRANSAKT LTD.
CONSOLIDATED BALANCE SHEETS

	June 30,	December 31,
	2010	2009
ASSETS	(Unaudited)	
Current Assets		
Cash and cash equivalents	\$ 1,033,525	\$ 874,418
Restricted cash	1,043,132	498,540
Accounts receivable, net	2,837,774	2,049,995
Inventory	1,810,512	1,373,516
Other receivable, net	8,969	6,278
Prepaid expenses	63,076	51,196
Investments	28,162	50,915
Total Current Assets	6,825,150	4,904,858
Property & Equipment, net	2,331	3,130
Deposits	29,924	72,891
Total Assets	\$ 6,857,405	\$ 4,980,879
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,180,136	\$ 1,161,586
Bank loans	2,694,296	2,083,361
Loan payable to related party	621,614	495,625
Total Current Liabilities	5,496,046	3,740,572
Non-current Liabilities		
Unsecured convertible notes payable, net of unamortized discounts of \$6,791 and \$10,541	23,209	19,459
Stockholders' Equity		
Common stock, unlimited shares authorized for issuance, no par value, 102,645,120 shares issued and outstanding	3,260,018	3,260,018
Additional paid-in capital	15,000	15,000
Other comprehensive income (loss)	72,461	(15,278)
Accumulated deficit	(2,009,329)	(2,038,892)
Total Stockholders' Equity	1,338,150	1,220,848
Total Liabilities and Stockholders' Equity	\$ 6,857,405	\$ 4,980,879

The Accompanying Notes Are an Integral Part of the Financial Statements.

TRANSAKT LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Six Months Ended</u>		<u>Three Months Ended</u>	
	<u>June 30,2010</u>	<u>June 30,2009</u>	<u>June 30,2010</u>	<u>June 30,2009</u>
Revenues:				
Sales of goods, net	\$ 6,222,107	\$ 5,657,303	\$ 2,960,219	\$ 2,685,500
Total revenues	6,222,107	5,657,303	2,960,219	2,685,500
Operating costs and expenses:				
Cost of sales	5,814,814	5,367,877	2,737,218	2,596,143
Selling, general and administrative expenses	452,136	432,878	229,886	235,112
Loss from operations	(44,843)	(143,452)	(6,885)	(145,755)
Other income (expense):				
Interest income	1,044	173	714	173
Investment income	487	151	487	151
Currency exchange gain (loss)	106,330	(28,147)	61,911	16,132
Interest expense	(33,455)	(38,387)	(8,954)	(22,868)
Total other income (expense)	74,406	(66,210)	54,158	(6,412)
Income (loss) before income taxes	29,563	(209,662)	47,273	(152,167)
Provision for income taxes	-	1,282	-	16
Net income (loss)	<u>\$ 29,563</u>	<u>\$ (210,944)</u>	<u>\$ 47,273</u>	<u>\$ (152,183)</u>
Income (loss) per share:				
Basic and diluted income (loss) per share	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding:				
Basic and diluted	<u>102,645,120</u>	<u>102,645,120</u>	<u>102,645,120</u>	<u>102,645,120</u>

The Accompanying Notes Are an Integral Part of the Financial Statements.

TRANSAKT LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	June 30, 2010	June 30, 2009
Cash flows from operating activities		
Net income (loss)	\$ 29,563	\$ (210,944)
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sales of short-term Investment	(487)	(151)
Depreciation expense	964	918
Amortization of debt discount attributable to convertible debentures	3,696	68
Changes in assets and liabilities:		
(Increase) in accounts receivable	(648,961)	(597,425)
(Increase) Decrease in inventory	(346,136)	1,050,747
(Increase) Decrease in other receivables	(2,259)	4,261
(Increase) in prepaid expense	(8,610)	(23,894)
Decrease in deposits	45,062	2,567
Increase in accounts payable and accrued expenses	929,227	484,847
Net cash provided by operating activities	<u>2,059</u>	<u>710,994</u>
Cash flows from investing activities		
(Increase) Decrease in restricted cash	(502,484)	123,485
Proceeds from sale of investments	25,687	106,096
Net cash provided by (used in) investing activities	<u>(476,797)</u>	<u>229,581</u>
Cash flows from financing activities		
Proceeds from bank loans	2,473,715	2,059,353
Repayment of bank loans	(1,999,370)	(2,529,361)
Due from related party	104,750	82,447
Net proceeds from issuance of convertible debentures	-	28,827
Net cash provided by (used in) financing activities	<u>579,095</u>	<u>(358,734)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>54,750</u>	<u>9,976</u>
Net increase in cash and cash equivalents	<u>159,107</u>	<u>591,817</u>
Cash and cash equivalents		
Beginning	874,418	205,658
Ending	<u>\$ 1,033,525</u>	<u>\$ 797,475</u>
Supplemental disclosure of cash flows		
Cash paid during the year for:		
Income tax	\$ -	\$ -
Interest expense	<u>\$ 39,148</u>	<u>\$ 59,868</u>

The Accompanying Notes Are an Integral Part of the Financial Statements.

TRANSAKT LTD.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial reporting and in accordance with instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements contained in this report reflect all adjustments that are normal and recurring in nature and considered necessary for a fair presentation of the financial position and the results of operations for the interim periods presented. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The results of operations for the interim period are not necessarily indicative of the results expected for the full year. These unaudited, condensed consolidated financial statements, footnote disclosures and other information should be read in conjunction with the financial statements and the notes thereto included in the Company’s Annual Report on Form 20-F for the year ended December 31, 2009.

Organization

TransAKT Ltd. (the “Company”) was incorporated under the laws of the Province of Alberta on June 3, 1997. The Company completed the acquisition of Green Point Resources Inc. on October 18, 2000 whereby it became a publicly traded company listed on the Canadian Venture Exchange. In 2004 the Company voluntarily delisted from the TSX Venture Exchange and retained a listing on the Over the Counter Bulletin Board in the United States.

In October 2004 the Company purchased certain assets of IP Mental Inc., a Taiwan based Voice over Internet Protocol (VoIP) company. The company name was changed from TransAKT Corp. to TransAKT Ltd. on September 29, 2006. The Company designs and develops Voice over Internet Protocol (“VoIP”) solutions and mobile payment terminals for the consumer electronics industry.

On November 15, 2006 TransAKT Ltd and the shareholders of Taiwan Halee International Co. Ltd. (HTT), entered into a Share Exchange Agreement in which TransAKT Ltd. acquired 100% of Taiwan Halee International Co. Ltd.’s outstanding common stock. HTT was incorporated under the laws of Republic of China in 1985. HTT is engaged in designing, manufacturing and distribution of Taiwan telecommunications equipment. The acquisition has been accounted for as a reverse acquisition under the purchase method of accounting. Accordingly, the merger of the two companies has been recorded as a recapitalization of HTT, with HTT being treated as the continuing entity.

Principles of Consolidation

The consolidated financial statements include the accounts of TransAKT Holdings Limited and its wholly owned subsidiaries Taiwan Halee International Co. Ltd. and TransAKT Taiwan Limited, collectively referred to within as the Company. All material intercompany accounts, transactions and profits have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States (“GAAP”) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows

In accordance with generally accepted accounting principles (GAAP), cash flows from the Company’s operations is based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Allowance for Doubtful Accounts

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Allowance for doubtful debts amounted to \$201,835 and \$190,402 as at June 30, 2010 and December 31, 2009, respectively.

Inventory

Inventories are valued at the lower of cost (determined on a weighted average basis) or market. The Management compares the cost of inventories with the market value and allowance is made for writing down their inventories to market value, if lower. As of June 30, 2010 and December 31, 2009, inventory consisted only of finished goods.

Recent Accounting Pronouncements

In February 2010 the FASB issued Update No. 2010-09 “Subsequent Events (Topic 855)” (“2010-09”). 2010-09 clarifies the interaction of Accounting Standards Codification 855 “Subsequent Events” (“Topic 855”) with guidance issued by the SEC as well as the intended breadth of the reissuance disclosure provision related to subsequent events found in paragraph 855-10-50-4 in Topic 855. This update is effective for annual or interim periods ending after June 15, 2010. Management is currently evaluating whether these changes will have any material impact on its financial position, results of operations or cash flows.

In February 2010 the FASB issued Update No. 2010-08 “Technical Corrections to Various Topics” (“2010-08”). 2010-08 represents technical corrections to SEC paragraphs within various sections of the Codification. Management is currently evaluating whether these changes will have any material impact on its financial position, results of operations or cash flows.

In January 2010 the FASB issued Update No. 2010-06 “Fair Value Measurements and Disclosures—Improving Disclosures about Fair Value Measurements” (“2010-06”). 2010-06 requires new disclosures

regarding significant transfers between Level 1 and Level 2 fair value measurements, and disclosures regarding purchases, sales, issuances and settlements, on a gross basis, for Level 3 fair value measurements. 2010-06 also calls for further disaggregation of all assets and liabilities based on line items shown in the statement of financial position. This amendment is effective for fiscal years beginning after December 15, 2010 and interim periods within those fiscal years. The Company is currently evaluating whether adoption of this standard will have a material impact on its financial position, results of operations or cash flows.

In January 2010 the FASB issued Update No. 2010-05 “Compensation—Stock Compensation—Escrowed Share Arrangements and Presumption of Compensation” (“2010-05”). 2010-05 re-asserts that the Staff of the SEC has stated the presumption that for certain shareholders escrowed shares represent a compensatory arrangement. 2010-05 further clarifies the criteria required to be met to establish a position different from the SEC Staff’s position. The Company does not believe this pronouncement will have any material impact on its financial position, results of operations or cash flows.

In January 2010 the FASB issued Update No. 2010-04 “Accounting for Various Topics—Technical Corrections to SEC Paragraphs” (“2010-04”). 2010-04 represents technical corrections to SEC paragraphs within various sections of the Codification. Management is currently evaluating whether these changes will have any material impact on its financial position, results of operations or cash flows.

In January 2010 the FASB issued Update No. 2010-02 “Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification” (“2010-02”) an update of ASC 810 “Consolidation.” 2010-02 clarifies the scope of ASC 810 with respect to decreases in ownership in a subsidiary to those of a subsidiary or group of assets that are a business or nonprofit, a subsidiary that is transferred to an equity method investee or joint venture, and an exchange of a group of assets that constitutes a business or nonprofit activity to a non-controlling interest including an equity method investee or a joint venture. Management does not expect adoption of this standard to have any material impact on its financial position, results of operations or operating cash flows. Management does not intend to decrease its ownership in any of its wholly-owned subsidiaries.

In January 2010 the FASB issued Update No. 2010-01 “Accounting for Distributions to Shareholders with Components of Stock and Cash—a consensus of the FASB Emerging Issues Task Force” (“2010-03”) an update of ASC 505 “Equity.” 2010-03 clarifies the treatment of stock distributions as dividends to shareholders and their affect on the computation of earnings per shares. Management does not expect adoption of this standard to have any material impact on its financial position, results of operations or operating cash flows.

Going Concern

The Company has incurred a net loss of \$210,944 during the six-month periods ended June 30, 2009, and has an accumulated deficit of \$2,009,329 as of June 30, 2010.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of the Company’s assets and the satisfaction of liabilities in the normal course of business. This presentation presumes funds will be available to finance ongoing research and development, operations and capital expenditures and permit the realization of assets and the payment of liabilities in the normal course of operations for the foreseeable future.

The ability of the Company to continue research and development projects and realize the capitalized value of proprietary technologies and related assets is dependent upon future commercial success of the technologies and raising sufficient funds to continue research and development as well as to effectively market its products.

Through June 30, 2010, the Company has not realized commercial success of the technologies, nor have they raised sufficient funds to continue research and development or to market its products.

There can be no assurances that there will be adequate financing available to the Company and the consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

The Company has taken certain restructuring steps to provide the necessary capital to continue its operations. These steps included: (1) Tightly budgeting and controlling all expenses; (2) Expanding the company's operations into China, expanding product lines and recruiting a strong sales team to significantly increase sales revenue and profit in next year; (3) The Company plans to continue actively seeing additional funding opportunities to improve and expand upon our product lines.

NOTE 2 - RELATED PARTY TRANSACTIONS

Loan Payable to Related Parties

The Company's officers and shareholders have advanced funds to the Company for working capital purpose. The Company has not entered into any agreement on the repayment terms for these advances. As of June 30, 2010 and December 31, 2009, there were \$561,214 and \$435,225 advances outstanding, respectively.

The Company also had loans payable to five shareholders amounted to \$60,400 as of June 30, 2010 and December 31, 2009. The unsecured loans bear interest at the rate of 12% per annum, and due on May and June 2010.

NOTE 3 - LOANS PAYABLE

The Company has loan payable amounting to \$2,694,296 as of June 30, 2010 from several commercial banks in Taiwan. The loans are partially secured by certificate of deposits for \$1,043,132 and accounts receivable. The loans payable at June 30, 2010 comprised of the following:

Nature	Due on	Interest per Annum	Amount
Secured note payable from a bank	8/10/2010	5.10%	70,740
Secured note payable from a bank	8/8/2010	5.10%	32,050
Secured note payable from a bank	9/4/2010	5.10%	45,050
Secured note payable from a bank	9/15/2010	5.10%	41,400
Secured note payable from a bank	8/31/2010	5.10%	199,683
Secured note payable from a bank	9/15/2010	5.10%	224,932
Secured note payable from a bank	12/28/2010	2.88%	160,650
Secured note payable from a bank	8/22/2010	6.10%	28,620
Secured note payable from a bank	9/5/2010	6.10%	24,300
Secured note payable from a bank	9/9/2010	6.10%	31,860
Secured note payable from a bank	8/28/2010	6.10%	12,182
Secured note payable from a bank	9/24/2010	6.20%	21,135
Secured note payable from a bank	8/25/2010	5.00%	54,960
Secured note payable from a bank	9/6/2010	5.00%	25,920

Secured note payable from a bank	9/3/2010	5.00%	38,400
Secured note payable from a bank	9/16/2010	5.00%	16,500
Secured note payable from a bank	9/17/2010	5.00%	12,290
Secured note payable from a bank	10/1/2010	5.00%	25,920
Secured note payable from a bank	10/15/2010	5.00%	129,250
Secured note payable from a bank	10/29/2010	5.00%	37,800
Secured note payable from a bank	10/29/2010	5.00%	10,450
Secured note payable from a bank	11/5/2010	5.00%	104,940
Secured note payable from a bank	11/12/2010	5.00%	39,000
Secured note payable from a bank	11/12/2010	5.00%	26,892
Secured note payable from a bank	11/11/2010	5.00%	40,100
Secured note payable from a bank	7/5/2010	1.5275%	310,278
Secured note payable from a bank	8/5/2010	1.5370%	173,569
Secured note payable from a bank	10/5/2010	1.5243%	273,108
Secured note payable from a bank	11/5/2010	1.5243%	24,934
Secured note payable from a bank	7/21/2010	2.3580%	48,000
Secured note payable from a bank	8/2/2010	2.3563%	9,670
Secured note payable from a bank	9/27/2010	2.3762%	17,390
Secured note payable from a bank	11/1/2010	2.4101%	40,300
Secured note payable from a bank	11/15/2010	2.4725%	38,700
Secured note payable from a bank	11/18/2010	3.0136%	65,150
Secured note payable from a bank	11/18/2010	2.9040%	49,779
Secured note payable from a bank	9/27/2010	2.4419%	35,400
Secured note payable from a bank	8/31/2010	2.2833%	125,994
Secured note payable from a bank	12/13/2010	2.7801%	27,000
	Total		\$ 2,694,296
	Current portion		2,694,296
	Long-term portion		\$ -

NOTE 4 - OTHER COMPREHENSIVE INCOME

Balances of related after-tax components comprising accumulated other comprehensive income (loss), included in stockholders' equity, at June 30, 2010 and December 31, 2009 are as follows:

	Foreign Currency Translation Adjustment
Balance at December 31, 2008	\$ 61,162
Change for 2009	(76,440)
Balance at December 31, 2009	(15,278)
Change for six months ended June 30, 2010	87,739
Balance at June 30, 2010	\$ 72,461

NOTE 5 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles (GAAP) utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the

highest priority to observable quoted prices (unadjusted) in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

As of June 30, 2010 and December 31, 2009, the Company had \$28,162 and \$50,915, respectively, in Level 1 investments in the form of mutual funds.

NOTE 6 - PRIVATE PLACEMENT OF CONVERTIBLE NOTES

12% Unsecured Convertible Promissory Notes dated May 29, 2009

On May 29, 2009, the Company issued \$30,000 convertible promissory notes due May 29, 2011 with interest at 12% per annum due upon maturity. The note is convertible at any time after the first anniversary after the closing date, at the holder's option, into shares of the Company's common stock at a price of \$0.02 per share. At maturity, any accrued and unpaid interest, is payable to the holder.

In accordance with ASC 470-20, the Company recognized an embedded beneficial conversion feature present in the note. The Company allocated a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital. The Company recognized and measured an aggregate of \$15,000 of the proceeds, which is equal to the intrinsic value of the embedded beneficial conversion feature, to additional paid-in capital and a discount against the note. The debt discount attributed to the beneficial conversion feature is amortized over the note's maturity period (two years) as interest expense.

The Company recorded the intrinsic value of the embedded beneficial conversion feature (\$15,000) to debt discount which will be amortized to interest expense over the term of the note. Amortization of \$3,750 and \$62 were recorded for the six month periods ended June 30, 2010 and 2009, respectively.

NOTE 7 – SUBSEQUENT EVENT

On August 12, 2010, the Company filed the Registration Statement (Form S-4) in connection with the continuation of the Company from Alberta to Nevada. Based upon the number of common shares of TransAKT Ltd., a Nevada corporation ("TransAKT Nevada"), expected to be issued to the existing shareholders of TransAKT Ltd., an Alberta corporation ("TransAKT Alberta"), on a one-for-one basis upon completion of the Continuation and based on 102,645,120 shares of common stock of TransAKT Ltd., an Alberta corporation, issued and outstanding as of August 12, 2010.

The Articles of Conversion of TransAKT Nevada will provide that the authorized capital of the TransAKT will be 300,000,000 shares of common stock, par value \$0.001 per share and 200,000,000 shares of preferred stock, par value \$0.001 per share.
