Company No.	634805-K

NANOPAC (M) SDN. BHD.
(634805-K)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2013

Company No.	634805-K

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REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2013

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NANOPAC (M) SDN. BHD. (634805-K)
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company's principal activities are investment holding and engaged in manufacturing, supplying, importing, exporting of nano technology products, photo catalyst power, coating solution and chemical solutions of every description. The principal activities of the subsidiaries are set out in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM
Profit/(Loss) for the financial year	2,159,710

DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

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

SHARE CAPITAL

There were no changes in the issued and paid-up share capital of the Company during the financial year.

DIRECTORS

The directors in office since the date of the last report are:-

Dato' Dr. Cheng Kok Leong
Kim Dong Hyung
Lee Tai Kyu
Chong Ai Lee
Yg. Bhg. Tan Sri Yuen Yuet Ling

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of those directors who held office at the end of the financial year in shares of the Company were as follows:

	Number of ordinary shares of RM1.00 each		
	Balance as at 1.1.2013/ Appointment date	Bought/Sold	Balance as at 31.12.2013
SHARES IN THE COMPANY			
Direct interests			
Dato' Dr. Cheng Kok Leong	140,000	-	140,000
Yg. Bhg. Tan Sri Yuen Yuet Ling	20,000	-	20,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Directors of the Company have received or become entitled to receive any benefit (other than the remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which a director is a member or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the income statement and balance sheet Statements of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) In the opinion of the directors, the results of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(a) The directors are not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or the making of allowance for doubtful debts in the financial statements of the Group and of the Company; or

(ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(b) In the opinion of the directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(a) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(b) There no contingent liability in respect of the Group and of the Company which have arisen since the end of the financial year.

(c) The directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Company No.	634805-K

AUDITORS

The auditors, Messrs   Associates, have expressed their willingness to continue in office.

On behalf of the Board

CHONG AI LEE

DATO' DR. CHENG KOK LEONG

Date: 03 APR 2014
Kuala Lumpur

Company No. 634805-K

NANOPAC (M) SDN BHD
Incorporated in Malaysia

STATEMENT BY DIRECTORS

PURSUANT TO SUB-SECTION (15) OF SECTION 169 OF THE COMPANIES ACT, 1965

We, the undersidned, being two Director of NANOPAC (M) SDN BHD, do hereby state on behalf of the Board that, in our opinion, the accompanying financial statemen t are draw up in accordance with applicable approved accounting standards in Malaysia aand the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Company as 31 December 2013 and of its result and the cash flow of the Company for the period then ended.

For and on behalf of the Board

CHONG AI LEE	DATO' DR. CHENG KOK LEONG

Kuala Lumpur

STATUTORY DECLARATION

PURSUANT TO SUB-SECTION (16) OF SECTION 169 OF THE COMPANIES ACT, 1965

I, CHONG AI LEE, being the Director responsible for financial management of NANOPAC (M) SDN BHD, do solemnly and sincerely declare that the accompanying financial statement are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientionously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the)
Federal Territory this day of

CHONG AI LEE

Before me:

Commissioner for Oaths

PESURUHJAYA SUMPAH
No - : B395
Nama: FREDRIC KONG YAT SEN
MALAYSIA

5A, Jalan Bunga Tanjung 8
Taman Putra
68000 Ampang, Selangor

B 16-9, Block B
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: (603) 21466 5377, 2166 6377
Fax: (603) 2166 8377
Email: rajico@tm.net.my
abdrajico@yahoo.com.my

ABDUL RAJI & CO (AF 1064)
CHARTERED ACCOUNTS

Company No. 634805-K

REPORT OF THE AUDITORS TO THE MEMBERS OF NANOPAC (M) SDN. BHD.

We have audited the financial statement of **NANOPAC (M) SDN. BHD.** Which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equlity and cash flow statement for th e period then ended, and a summary of significant accounting policies and other explanatory noted, as set out on pages 10 to 19.

Director' Responsibility for the Financial Statements

The director of the Company are responsibl e for the preparation and fair presentation of these financial statement in accordance with Financial Reporting Standards and the Companie s Act 1965 in Malaysia. This responsibility includes : designing, implementing and maintaning internal contro l relevant to the preparation and fair presentation of financia l statement that are free from material misstatement, whether due to fraud or error; seleting and applying appropriate account policies; and making accounting estimates that are reasonable in the circumstances.

Auditor' Responsibility

Our responsibility is to express an opinion on these financial statement based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonble assurance whether the financial statement are fre e from material misstatement.

An audit involves performing procedures to the obtain audit evidence about the amounts and discloures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessment, we consider internal control relevant to the Company's preparation and fair presentation o f the financial statements in order to design audit procedures that are appropriate in the circumtances, but not the purpose of expressing an opinion on the effectivess of the Company's internal control. An audot also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by director, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and approprited to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement have been properly drawn up in accordance with Financial Reporting Standard and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2013 and of its financial performance and cash flows for the period then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provision of the Act.

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of th e Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Abdul Raji & Co

ABDUL RAJI & CO
(NO: AF-1064)
CHARTERED ACCOUNTANTS

03 APR 2014

Kuala Lumpur

ABDUL RAJI BIN MASRI
(NO: 1813/03/15 (J))
PARTNER

Company No.	634805-K

NANOPAC (M) SDN. BHD. (634805-K)
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

		GROUP	
		2013	2012
	Note	RM	RM
ASSETS			
Non-current assets			
Plant and equipment	6	4,536,078	11,905,422
Intangible asset	7	27,950	33,540
Investment in subsidiary			
		4,564,028	11,938,962
Current assets			
Inventories	11	316,363	236,464
Trade receivables		2,382,027	2,163,989
Other receivables, deposits and prepayments	12	2,525,800	115,432
Tax recoverable		27,631	19,931
Bank balances		1,778,997	425,453
		7,030,818	2,961,269
Current liabilities			
Trade payables	21	341,323	181,558
Accruals and deposits received		835,506	547,135
Amount due to a director		205,336	6,249,230
		1,382,165	6,977,923
NET CURRENT ASSETS		5,648,653	(4,016,654)
		10,212,681	7,922,308
Represented by:			
Share capital	15	655,540	200,000
Reserves	16	9,557,141	7,722,308
SHAREHOLDERS' EQUITY		10,212,681	7,922,308
NON-CURRENT LIABILITIES			
Deferred taxation		-	-
		10,212,681	7,922,308

Company No.	634805-K

NANOPAC (M) SDN. BHD. (634805-K)
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		GROUP	
	Note	2013 RM	2012 RM
Revenue		7,633,976	8,136,961
Cost of sales		(3,889,697)	(4,164,731)
Gross profit		3,744,279	3,972,230
Other operating income		-	110,091
Selling and marketing expenses		(233,204)	(267,535)
Administrative expenses		(1,073,193)	(951,305)
Other operating expenses		(277,458)	(440,820)
Profit from operations		2,160,424	2,422,662
Finance costs		(714)	(22,962)
Profit before tax		2,159,710	2,399,700
Taxation		-	8,867
Profit after tax		2,159,710	2,408,567

Company No.	634805-K

NANOPAC (M) SDN. BHD. (634805-K)
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	Share capital RM	Reserves RM	Total RM
GROUP			
Balance as at 1.1.2013	200,000	9,357,141	9,557,141
Total comprehensive expense	-	-	-
Balance as at 31.12.2013	200,000	9,357,141	9,557,141

The annexed notes form an integral part of the financial statements.

Company No.	634805-K

NANOPAC (M) SDN. BHD. (634805-K)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

1. GENERAL INFORMATION

The Company's principal activities are investment holding and engaged in manufacturing, supplying, importing, exporting of nano technology products, photo catalyst power, coating solution and chemical solutions of every description. The principal activities of the subsidiaries are set out in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office of the Company is as follows:

67-1, Jalan Puteri 5/7,
Bandar Puteri,
47100 Puchong,
Selangor Darul Ehsan.

The address of the principal place of business of the Company is as follows:

No. 27, Jalan Rajawali 2,
Bandar Puchong Jaya,
47100 Puchong,
Selangor Darul Ehsan.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company qualifies as a private entity under the Private Entity Reporting Standards.

The financial statements of the Group and of the Company have been prepared in accordance with applicable Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to the end of the financial year using the purchase method of accounting.

Under the purchase method of accounting, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

At the acquisition date, the cost of business combination is allocated to identifiable assets, liabilities and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

(b) recognise immediately in profit or loss any excess remaining after that reassessment.

Subsidiaries are consolidated from the acquisition date, which is the date on which the Group effectively obtains control, until the date on which the Group ceases to control the subsidiaries. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account.

Intragroup balances, transactions and unrealised gains and losses on intragroup transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

The gain or loss on disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to the end of the financial year using the purchase method of accounting.

Under the purchase method of accounting, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

At the acquisition date, the cost of business combination is allocated to identifiable assets, liabilities and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

(b) recognise immediately in profit or loss any excess remaining after that reassessment.

Subsidiaries are consolidated from the acquisition date, which is the date on which the Group effectively obtains control, until the date on which the Group ceases to control the subsidiaries. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account.

Intragroup balances, transactions and unrealised gains and losses on intragroup transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

The gain or loss on disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation (continued)

Minority interests is that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group. It is measured at the minority's share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minority's share of changes in the subsidiaries' equity since that date.

Where losses applicable to the minority in a subsidiary exceed the minority's interest in the equity of that subsidiary, the excess and any further losses applicable to the minority are allocated against the Group's interest except to the extent that the minority has a binding obligation and is able to make additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

Minority interests is presented in the consolidated statement of financial position within equity and is presented in the consolidated statement of changes in equity separately from equity attributable to equity holders of the Company.

Minority interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the total profit or loss for the financial year between minority interests and equity holders of the Company.

3.3 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.17.

The plant and equipment are depreciated on the straight line basis to write off the cost of the assets to their residual values over their estimated useful lives.

The principal annual rates of depreciation used are as follows:

	%
Furniture and fittings	20
Office equipment	20
Computer	20
Machinery	20
Renovation	20

3.4 Intangible asset

Intangible asset comprise of patents stated at cost and is amortised on a straight-line basis over its estimated useful life of 15 years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company has power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated at the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.6 Inventories

Inventories are stated at the lower of cost and net realisable value and are determined on the first-in first-out basis. Cost includes the actual cost of materials and incidentals in bringing the inventories to their present location and condition.

In arriving at the net realizable value, due allowance is made for obsolete and slow moving inventories.

3.7 Receivables

Receivables are stated at anticipated realizable value. Bad debts are written off in the period in which they are identified. Allowance for bad and doubtful debts is made on estimates of possible losses which may arise from non-collection of certain debts.

3.8 Payables

Payables are stated at their nominal values which are the fair values of the consideration to be paid in the future for goods and services received.

3.9 Affiliated company

The Company treats an affiliated company (other than holding, subsidiary or associated company) as a company in which the shareholders and directors are substantially in common with those of the Company.

3.10 Cash and cash equivalents

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

3.11 Hire purchase arrangements

Plant and equipment acquired under hire purchase arrangements are capitalized in the financial statements and are depreciated in accordance with the policy set out in 3.3 above. The corresponding outstanding obligations due under the hire-purchase agreements after deducting finance expenses are included as liabilities in the financial statements. Financial expenses are charged to the income statement over the period of the respective agreements using sum-of-digits method.

3.12 Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the income statement.

Dividends on the ordinary shares, when declared or proposed by the directors of the Company are disclosed within the components of equity. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year in which the dividends are paid.

3.13 Income taxes

Income tax on the profit and loss for the financial year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities are their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

3.14 Foreign currencies

Transactions in foreign currencies during the financial year are converted into Ringgit Malaysia at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange gains or losses are dealt with in the income statement.

3.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is shown at value of goods sold and services rendered net of return inwards and discounts allowed.

Sales of goods

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

3.16 Employee Benefits

(a) Short term benefits

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

(b) Defined contribution plans

Obligations for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.

3.17 Impairment of assets

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's net selling price and value in use.
An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. The impairment loss is charged to the income statement immediately.

Any subsequent increase in recoverable amount of an asset is recognised as reversal of previous impairment loss and should not exceed he carrying amount that would have been determined (net of depreciation, if applicable) had no impairment loss been previously recognised for the asset.

3.18 Financial instruments

Financial instruments are recognised in the Balance Sheet when the Company is a party to the contractual provision of the instruments. The recognised financial instruments of the Company in the Balance Sheet comprise cash and cash equivalents, trade receivables and payables that arise directly from its operations, non-trade receivables and payables arising from transactions entered into in the normal course of business, borrowings, and ordinary share capital. The accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied, are disclosed above. The information on the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes to the financial statements.

4. PLANT AND EQUIPMENT

Group

At cost	At 1 Jan RM	Additions RM	(Disposals) RM	At 31 Dec RM
Furniture and fittings	18,923	-	-	18,923
Office equipment	25,114	-	-	25,114
Computer	29,901	-	-	29,901
Machinery	12,014,827	-	-	12,014,827
Renovation	14,930	-	-	14,930
		-		
Total for 2013	12,103,695	-	-	12,103,695

4. PLANT AND EQUIPMENT (CONTINUED)

Accumulated Depreciation	At 1 Jan RM	Charge for RM	(Disposals) RM	At 31 Dec RM
Furniture and fittings	18,922	-	-	18,922
Office equipment	13,133	2,364	-	15,497
Computer	23,907	2,180	-	26,087
Machinery	136,841	7,362,340	-	7,499,181
Renovation	5,470	2,460	-	7,930
Total for 2013	198,273	7,366,884	-	7,567,617

	Net Book Value As at 31.12.2013 RM
Furniture and fittings	1
Office equipment	9,617
Computer	3,814
Machinery	4,515,646
Renovation	7,000
	4,536,078

At cost	At 1 Jan RM	Additions RM	(Disposals) RM	At 31 Dec RM
Furniture and fittings	18,923	-	-	18,923
Office equipment	12,139	12,975	-	25,114
Computer	24,777	5,124	-	29,901
Machinery	11,914,827	100,000	-	12,014,827
Renovation	8,930	6,000	-	14,930
Total for 2012	11,979,596	124,099	-	12,103,695

Company No.	634805-K

4. PLANT AND EQUIPMENT (CONTINUED)

Accumulated Depreciation	At 1 Jan RM	Charge for RM	(Disposals) RM	At 31 Dec RM
Furniture and fittings	16,490	2,432	-	18,922
Office equipment	10,769	2,364	-	13,133
Computer	21,727	2,180	-	23,907
Machinery	98,176	38,665	-	136,841
Renovation	3,010	2,460	-	5,470
Total for 2012	150,172	48,101	-	198,273

	Net Book Value As at 31.12.2012 RM
Furniture and fittings	1
Office equipment	11,981
Computer	5,994
Machinery	11,877,986
Renovation	9,460
	11,905,422

Included in the net book value of plant and equipment is machinery amounted to Nil acquired under the hire purchase arrangements for which installments are still outstanding as at balance sheet date.

5. INTANGIBLE ASSET

	At Cost RM	Accumulated Amortisation RM	Net Book Value RM
At 1 January 2012	83,850	(44,720)	39,130
Addition	-	(5,590)	(5,590)
At 31 December 2012	83,850	(50,310)	33,540
Addition	-	(5,590)	(5,590)
At 31 December 2013	83,850	(55,900)	27,950

The patents purchased from an associated company is in respect of exclusive ownership rights to the South-East Asia territory. The patents have an initial term of 15 years commencing from 26 November 2003.

6. INVENTORIES

	2013 RM	2012 RM
At cost		
- Nano technology products	316,363	236,464

7. TRADE RECEIVABLES

The Company's normal trade credit terms vary from 30 to 60 days. Other trade credit terms are assessed and approved on a case-by-case basis.

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013 RM	2012 RM
Other receivables	2,514,300	103,932
Deposits	11,500	11,500
Prepayments	-	-
	2,525,800	115,432

9. TRADE PAYABLES

The normal trade credit terms granted to the Company vary from 30 to 60 days.

10. ACCRUALS AND DEPOSITS RECEIVED

	2013 RM	2012 RM
Accruals	355,506	67,135
Deposits received	480,000	480,000
	835,506	547,135

11. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest free and with no fixed terms of repayment.

12. SHARE CAPITAL

	2013 RM	2012 RM
Authorised		
500,000 ordinary shares of RM1.00 each	500,000	500,000
Issued and fully paid		
200,000 ordinary shares of RM1.00 each	200,000	200,000

13. RESERVES

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

14. DEFERRED TAXATION

	2013 RM	2012 RM
At 1 January	8,867	8,867
Amount recognised in the income statement	(8,867)	(8,867)
At 31 December	-	-

The balance of deferred taxation is made up by tax effects of temporary differences arising from plant and equipment.

Deferred tax assets have not been recognised in respect of the following:

	2013 RM	2012 RM
Plant and equipment	1,626	1,626

15. REVENUE

Revenue represents invoiced value from sales of nano technology products less return inwards and discount allowed.

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16. TAXATION

The Company has been granted pioneer status under Section 7, Promotion of Investment Act, 1986. Under this pioneer status, the statutory income of the Company would be 100% exempted from tax for 5 years and shall commence on 1 January 2010 to 31 December 2014. As such, no tax provision has been made in the financial statements of current financial year.

Revenue represents invoiced value from sales of nano technology products less return inwards and discount allowed.

	2013 RM	2012 RM
Current year taxation	-	-
Deferred taxation:		
- Relating to origination and reversal of temporary differences	-	-
- Over provided in respect of prior year	(8,867)	(8,867)
	(8,867)	(8,867)
	(8,867)	(8,867)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	2013 RM	2012 RM
	-	-
Profit before taxation	2,159,710	2,399,700
Taxation at Malaysian statutory tax rate of 20%	5,773	5,773
Tax effect of:		
- Expenses not deductible for tax purpose	9,113	9,113
- Statutory income exempted from tax under pioneer status	(16,512)	(16,512)
- Deferred tax over provided in respect of prior years	(8,867)	(8,867)
- Deferred tax assets for the year not recognised	1,626	1,626
	(8,867)	(8,867)

17. FINANCIAL INSTRUMENTS

Revenue represents invoiced value from sales of nano technology products less return inwards and discount allowed.

(a) Financial risk management objectives and policies

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's business whilst managing its risks. The Company operates within clearly defined guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions.

The main risks and corresponding management policies arising from the Company's normal course of business are as follows:

Credit risk

The Company's exposure to credit risk arises from its receivables. The Company has a credit policy in place and manages the exposure to credit risk through the application of credit approvals, credit limits and other monitoring procedures. At balance sheet date, the maximum exposure for the Company is represented by the carrying amounts of the financial assets in the balance sheet.

Foreign currency exchange risk

The Company is exposed to foreign currency exchange risk as a result of transactions denominated in foreign currencies entered into by the Company.

The company has not hedged against this foreign currency exposure as it does not form a significant portion of the Company's gross assets.

Liquidity and cash flow risk

In the ordinary course of business, the Company practices prudent liquidity risk management by maintaining sufficient level of cash to meet its working capital requirements. The Company reviews its cash flow position regularly to manage its exposure to the fluctuations in future cash flows and balances its portfolio with short term financing so as to achieve overall cost effectiveness.

(b) Fair values

It is not practical to estimate the fair value of the amount due to a director as disclosed in Note 11 to the financial statements above due principally to lack of fixed repayment terms entered into by the parties involved and the inability to estimate fair value without incurring excessive costs.

The carrying amounts of other financial assets and liabilities of the Company at the balance sheet date approximated their fair values.

18. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue in accordance with a Board of Directors' resolution