Company No.: 642705-H

ADVANCE TECH COMMUNICATIONS SDN. BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2012

Certified True Copy of the Original

ELAINE TAN AI LIN
Advocate & Solicitor
Selangor
T/979

Company No.: 642705-H

ADVANCE TECH COMMUNICATIONS SDN. BHD.
(Incorporated in Malaysia)

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FOR THE FINANCIAL YEAR ENDED
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Company No.: 642705-H

ADVANCE TECH COMMUNICATIONS SDN. BHD.
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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Company for the financial year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the development and design of communication systems and solutions and related activities. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	RM
Loss for the financial year	403,006

DIVIDEND

No dividend has been paid or declared 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.

BAD AND DOUBTFUL DEBTS

Before the income statement and balance sheet of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that no allowance for doubtful debts was required.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off as bad debts inadequate to any substantial extent or render it necessary to make any allowance for doubtful debts in the financial statements of the Company.

CURRENT ASSETS

Before the income statement and balance sheet of the Company were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors:-

(i) the results of the operations of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

ISSUE OF SHARES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM4,100,000 to RM4,132,000 by way of the issuance of 32,000 ordinary shares of RM1 each.

DIRECTORS OF THE COMPANY

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

JONATHAN LOI YEOW KOON
LOI CHENG PHENG
LEE GIM KEONG
YAP HONG CHOONG

DIRECTORS' INTERESTS

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

	Number of Ordinary Share of RM1 each			
	At 1.7.2011	**Bought**	**Sold**	**At 30.6.2012**
Jonathan Loi Yeow Koon	1,947,700	-	-	1,947,700
Loi Cheng Pheng	369,000	32,000	-	401,000
Lee Gim Keong	82,000	-	-	82,000
Yap Hong Choong	50,000	-	-	50,000

DIRECTORS' BENEFITS

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

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is 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.

Company No.: 642705-H

AUDITORS

The auditors, Messrs. Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution dated

LOI CHENG PHENG

LEE GIM KEONG

Company No.: 642705-H

ADVANCE TECH COMMUNICATIONS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the directors of the Company, do hereby state that, in the opinion of the directors, the accompanying financial statements as set out on pages to are drawn up in accordance with the Private Entity Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 30 June 2012 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution dated

LOI CHENG PHENG

LEE GIM KEONG

STATUTORY DECLARATION
Pursuant to Section 169(16) of the Companies Act, 1965

I, Loi Cheng Pheng, being the director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages to are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
on

LOI CHENG PHENG

Before me

PESURUHJAYA SUMPAH
No W533
Nama: YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN
MALAYSIA

205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)

Company No.: 642705-H

BAKER TILLY

Baker Tilly Monteiro Heng
Chartered Accountants (AF0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

T: +603 2297 1000
F: +603 2282 9980

info@bakertillymh.com.my
www.bakertillymh.com.my

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANCE TECH COMMUNICATIONS SDN. BHD.
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Advance Tech Communications Sdn. Bhd., which comprise the balance sheet as at 30 June 2012 of the Company, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set on pages 8 to 24.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Private Entity Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements 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 reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Basis for Qualified Opinion

As disclosed in Note 7(b) to the financial statements, the amount owing to China Media Group was RM769,308 as at 30 June 2012. We were unable to obtain sufficient appropriate evidence in respect of this amount as at 30 June 2012.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified opinion paragraph, the financial statements give a true and fair opinion of the financial position of the Company as at 30 June 2012 and of its financial performance and cash flows for the financial year then ended in accordance with the Private Entity Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Baker Tilly is a trading name of Baker Tilly Monteiro Heng, Baker Tilly AC and its related entities
An independent member of Baker Tilly International

BAKER TILLY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANCE TECH COMMUNICATIONS SDN. BHD. (continued)
(Incorporated in Malaysia)

Emphasis of Matter

We draw attention to Note 2 to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that as at 30 June 2012, the Company's current liabilities exceeded its current assets by RM5,790,812, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

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 Companies Act, 1965 in Malaysia to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

Other Matters

1. The financial statements of the Company for the financial year ended 30 June 2011 were audited by another firm of chartered accountants whose report dated 25 April 2012, had the qualified opinion with the following basis for qualified opinion on those financial statements:-

   "We were unable to confirm or verify by alternative means the amount due to China Media Group included in the balance sheet amounting to RM801,185 as at 30 June 2011. As a result, we were unable to determine whether any adjustments were necessary in respect of this creditor balance."

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

Baker Tilly Monteiro Heng
AF 0117
Chartered Accountants

Lock Peng Kuan
2819/10/14 (J)
Chartered Accountant

Kuala Lumpur

Company No.: 642705-H

ADVANCE TECH COMMUNICATIONS SDN. BHD.
(Incorporated in Malaysia)

BALANCE SHEET AS AT 30 JUNE 2012

	Note	2012 RM	2011 RM
Non-current assets			
Plant and equipment	4	224,565	80,917
Research and development expenditure	5	7,157,436	5,610,375
		7,382,001	5,691,292
Current assets			
Other receivables, deposits and prepayments	6	679,900	99,266
Cash and bank balances		156,237	22,883
		836,137	122,149
Current liabilities			
Other payables and accruals	7	5,645,564	4,110,047
Borrowings	8	981,385	969,522
		6,626,949	5,079,569
Net current liabilities		(5,790,812)	(4,957,420)
		1,591,189	733,872
Capital and Reserve			
Share capital	11	4,132,000	4,100,000
Accumulated losses		(3,836,299)	(3,433,293)
Shareholders' equity		295,701	666,707
Non-current liabilities			
Borrowings	8	139,720	7,165
Government grant received in advance	10	1,155,768	60,000
		1,295,488	67,165
		1,591,189	733,872

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Company No.: 642705-H

ADVANCE TECH COMMUNICATIONS SDN. BHD.
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	2012 RM	2011 RM Restated
Other income		325,926	-
Administrative costs		(454,435)	(212,335)
Other costs		(221,314)	(4,086)
		(675,749)	(216,421)
Loss from operations		(349,823)	(216,421)
Finance costs		(53,183)	(128,171)
Loss before tax	11	(403,006)	(344,592)
Tax expense	12	-	-
Loss for the financial year		(403,006)	(344,592)

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Company No.: 642705-H

ADVANCE TECH COMMUNICATIONS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Share Capital RM	Accumulated Losses RM	Total Shareholders' Equity RM
At 1.7.2010	4,100,000	(3,088,701)	1,011,299
Loss for the financial year	-	(284,592)	(284,592)
At 30.6.2011	4,100,000	(3,373,293)	726,707
Correction of prior year error	-	(60,000)	(60,000)
Restated	4,100,000	(3,433,293)	666,707
Issuance of shares during the financial year	32,000	-	32,000
Loss for the financial year	-	(403,006)	(403,006)
At 30.6.2012	4,132,000	(3,836,299)	295,701

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Company No.: 642705-H

ADVANCE TECH COMMUNICATIONS SDN. BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	2012 RM	2011 RM Restated
Cash Flows from Operating Activities		
Loss before tax	(403,006)	(344,592)
Adjustments for:-		
Bad debts written off	54,700	-
Plant and equipment written off	-	4,086
Travelling expenses written off	164,779	-
Depreciation of plant and equipment	45,772	16,393
Interest expense	53,183	128,171
Operating (loss) before working capital changes	(84,572)	(195,942)
Increase in receivables	(635,334)	(39,901)
Increase in payables	1,594,859	1,819,417
Cash generated from operations	874,953	1,583,574
Interest expense	(53,183)	(128,171)
Net cash from operating activities	821,770	1,455,403
Cash Flows from Investing Activities		
Repayment of term loan	-	(50,000)
Purchase of plant and equipment	(45,157)	(68,258)
Research and development expenditure incurred	(604,718)	(1,308,675)
Net cash used in investing activities	(649,875)	(1,426,933)
Cash Flows from Financing Activities		
Payment to directors	(59,342)	-
Payment of hire purchase payables	(11,199)	(9,878)
Proceeds from issuance of shares	32,000	-
Net cash used in financing activities	(38,541)	(9,878)
Net increase in cash and cash equivalents	133,354	18,592
Cash and cash equivalents at beginning of financial year	22,883	4,291
Cash and cash equivalents at end of financial year	156,237	22,883

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2012

1. CORPORATE INFORMATION

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

The Company is principally engaged in the development and design of communication systems and solutions and related activities. There have been no significant changes in the nature of these activities during the financial year.

The registered office of the Company is located at Baker Tilly MH Tower, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur.

The principal place of business of the Company is located at G-01, Emerald Plaza North, Jalan PJU 8/3A, Damansara Perdana, 47820 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors dated 18 February 2014.

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the Private Entity Reporting Standards issued by the Malaysian Accounting Standards Board and complied with the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

As at 30 June 2012, the net current liabilities of the Company amounted to RM5,790,812 (2012: RM4,957,420). Notwithstanding these conditions, the financial statements of the Company have been prepared on going concern basis as the shareholders of the Company have undertaken to provide appropriate financial support to the Company to enable it to meet its obligations as and when they fall due.

The company will embark on commercialisation for the new products from its product development programs. The company has secured substantial grants to support its product development and commercialisation programs. The directors are of the opinion the company will operate profitably in the foreseeable future through the successful commercialisation of its new products.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Plant and Equipment and Depreciation

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset.

Depreciation is calculated on the straight line method to write off the cost of the plant and equipment over their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Plant and Equipment and Depreciation (continued)

The principal annual rates used for this purpose are:-

Motor vehicles	20%
Furniture and fittings	10% - 20%
Renovation	10%
Computers	20%
Office equipment	20%

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these plant and equipment.

(b) Intangible Assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Development costs which are considered to have finite useful lives, are stated at cost less any impairment losses and are amortised over the commercial lives of the underlying products. Amortisation is provided from the commencement of the commercial production of the product on the straight line basis over the estimated useful life of the product. Impairment is assessed whenever there is an indication of impairment. The amortisation period and method are also reviewed at each reporting date.

(ii) Other intangible asset

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Intangible Assets (continued)

(ii) Other intangible asset (continued)

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. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

(c) Impairment of Non-Financial Assets

The carrying amounts of non-financial 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 net selling price and the value in use, which is measured by reference to discounted future cash flows. An impairment loss is recognised whenever the carrying amount of an item of assets exceeds its recoverable amount. An impairment loss is recognised as an expense in the income statement.

Any subsequent increase in recoverable amount due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised as revenue in the income statement.

(d) Leases

i. Hire Purchase and Finance Lease

Assets acquired by way of hire purchase or finance lease where the Company assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Hire purchase or finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The depreciation policy for leased assets is consistent with that for depreciable plant and equipment as described in Note 3(a).

ii. Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Tax expense

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

Deferred tax is recognised, using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of 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 in which the assets are realised or the liabilities are settled.

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

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

(f) Employee Benefits

i. Short Term Employee Benefits

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

ii. Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts, revolving loans with drawdown at the discretion of the Company and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(i) Government Grants

Government grants are recognised in the financial statements when there is reasonable assurance that:

a) the Company will comply with the conditions attached to the grant; and
b) the grants will be received.

Government grants relating to costs are recognised as income in the income statement on a straight line basis over the periods necessary to match them with the related costs that they are intended to compensate.

Government grants related to assets are deducted from the carrying amount of the assets.

4. PLANT AND EQUIPMENT

	Motor Vehicles RM	Furniture and fittings RM	Renovation RM	Computers RM	Office equipment RM	Total RM
Cost						
At 1.7.2011	55,774	28,325	54,457	97,969	6,296	242,821
Additions	183,413		300	15,561	1,500	200,774
At 30.6.2012	239,187	28,325	54,757	113,530	7,796	443,595
Accumulated Depreciation						
At 1.7.2011	55,774	9,232	8,338	85,427	3,133	161,904
Charge for the financial year	36,683	2,833	5,476	11,354	780	57,126
At 30.6.2012	92,457	12,065	13,814	96,781	3,913	219,030
Net Book Value						
At 30.6.2012	146,730	16,260	40,943	16,749	3,883	224,565
At 30.6.2011	-	19,093	46,119	12,542	3,163	80,917
Depreciation charge for the financial year ended 30.6.2011	6,506	3,311	5,446	7,509	1,130	23,902

4. PLANT AND EQUIPMENT (continued)

a) Plant and equipment acquired under hire purchase agreements are as follows:-

	2012 RM	2011 RM
Cost		
Motor vehicles	239,187	55,774
Net Carrying Amount		
Motor vehicles	146,730	-

b) During the financial year, the Company acquired plant and equipment with aggregate cost of RM200,774 (2011: RM68,528) of which were satisfied as follows:-

	2012 RM	2011 RM
Hire purchase payables	155,617	-
Cash payments	45,157	68,258
	200,774	68,258

5. RESEARCH AND DEVELOPMENT EXPENDITURE

	2012 RM	2011 RM
At 1 July 2011/2010	5,610,375	4,234,191
Additions during the financial year	1,711,840	1,376,184
Written off	(164,779)	-
At 30 June	7,157,436	5,610,375

Included in research and development expenditure for the current financial year are the following expenses:

	Note	2012 RM	2011 RM
Depreciation of plant and equipment		11,354	7,509
Directors' remuneration		602,800	216,000
Rental of:			
- premises	(a)	-	106,271
- motor vehicle	(b)	-	10,800
Staff costs	(c)	594,864	582,415

5. RESEARCH AND DEVELOPMENT EXPENDITURE (continued)

(a) This is a cancellable operating lease where the Company needs to give one month notice for termination of this agreement.

(b) This is a cancellable operating lease where no notice is required for termination of this agreement.

(c) Included in staff costs is an amount of RM33,466 (2011: RM29,186) contributed to the Employees' Provident Fund.

6. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	2012 RM	2011 RM
Other receivables		636,160	44,492
Deposits		43,640	43,640
Prepayments		100	11,134
		679,900	99,266

Included in other receivables is the grant receivable from Ministry of Science, Technology Innovation of RM636,160 (2011: Nil).

7. OTHER PAYABLES AND ACCRUALS

	2012 RM	2011 RM
Other payables	5,286,230	3,925,443
Accruals	359,334	184,604
	5,645,564	4,110,047

Included in other payables are the following:

(a) Amounts of RM66,531 (2011: RM125,873) due to directors of the Company, which are unsecured, interest free and repayable on demand in cash and cash equivalents.

(b) Amounts owing to China Media Group of RM769,308 (2011: RM801,185) represent advances which are unsecured, interest fee and repayable on demand in cash and cash equivalents.

8. BORROWINGS

	2012 RM	2011 RM
Term loan	960,412	960,412
Hire purchase payables (Note 9)	160,693	16,275
	1,121,105	976,687
Repayable as follows:		
Current liabilities:		
Term loan	960,412	960,412
Hire purchase payables (Note 9)	20,973	9,110
	981,385	969,522
Non-current liabilities:		
Hire purchase payables (Note 9)	139,720	7,165
	1,121,105	976,687

The term loan bears interest at effective profit margin of 7% (2011: 7%) per annum calculated on daily rest basis.

The term loan is secured as follows:
(i) joint and several guarantees by certain directors;
(ii) first debenture incorporating fixed and floating charge on the future and current assets of the Company; and
(iii) deed of assignment of all proceeds of the irrecoverable letter of credit issued in favour of the Company and financed by Malaysia Debt Ventures Berhad.

9. HIRE PURCHASE PAYABLES

	2012 RM	2011 RM
Total instalment payments	194,269	17,142
Less: Future finance charges	(33,576)	(867)
Total present value of hire purchase payables	160,693	16,275
Payable within 1 year		
Total instalment payments	28,428	9,828
Less: Future finance charges	(7,455)	(718)
Present value of hire purchase payables	20,973	9,110
Payable after 1 year but not later than 5 years		
Total instalment payments	165,841	7,314
Less: Future finance charges	(26,121)	(149)
Present value of hire purchase payables	139,720	7,165
Total present value of hire purchase payables	160,693	16,275

The hire purchase payables of the Company bear interests at rates ranging from 6.34% to 6.44% (2012: 6.44%) per annum.

10. GOVERNMENT GRANT RECEIVED IN ADVANCE

The government grant was received from Ministry of Science, Technology and Innovation for capital expenditures incurred on research and development costs. Movements in government grant received in advance during the financial year are as follows:-

	2012 RM	2011 RM
At 1 July 2011/2010	60,000	-
Grant received	1,095,768	60,000
At 30 June	1,155,768	60,000

11. SHARE CAPITAL

	2012 RM	2011 RM
Ordinary shares of RM1 each		
Authorised:		
5,000,000 ordinary shares of RM1 each	5,000,000	5,000,000
Issued and fully paid:		
At beginning of financial year	4,100,000	4,100,000
Issued during the financial year	32,000	-
At end of financial year	4,132,000	4,100,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

12. LOSS BEFORE TAX

Loss before tax is arrived at after charging:-

	2012 RM	2011 RM
Auditors' remuneration - current year	10,000	6,600
- under provision in prior financial year	1,100	600
Bad debts written off	54,700	-
Depreciation of plant and equipment	45,772	16,393
Rental expense:		
- motor vehicle*	18,000	1,200
- premise**	112,340	11,808
Staff costs		
- Salaries, allowances and others	45,200	114,600
Interest expenses:		
- hire purchase payables	4,122	1,590
- term loan	49,061	126,581
Plant and equipment written off	-	4,086
Travelling expenses written off	164,779	-

* During the financial year, the Company entered in a cancellable operating lease where no notice is required for termination of this agreement.

** There was a non-cancellable operating lease in the previous financial year where no notice is required for termination in this agreement as disclosed in Note 14.

The number of employees of the Company including full time directors at the end of the financial year end was 15 (2011: 18).

13. TAX EXPENSE

The reconciliation of the tax amount at statutory income tax rate to the Company's tax expense are as follows:-

	2012 RM	2011 RM
Loss before tax	(403,006)	(344,592)
Tax at the Malaysian statutory income tax rate of 25%	(100,800)	(86,100)
Tax effect on non-deductible expenses	6,500	2,700
Previously unabsorbed capital allowances not recognised	18,400	-
Deferred tax asset not recognised during the financial year	75,900	83,400
Tax expense	-	-

Subject to the agreement of the Inland Revenue Board, the Company has unutilised tax losses and unabsorbed capital allowances of approximately RM5,663,000 (2012: RM5,412,000) and RM514,000 (2012: RM440,000) available for set off against future taxable income.

14. LEASE ARRANGEMENTS

The future minimum lease payments payable under non-cancellable operating lease contracted for as at the financial year end but not recognised as payable are as follows:-

	2012 RM	2011 RM
Within one year	42,000	153,608
Two to five year	-	11,134
	42,000	164,742

15. PRIOR YEAR ADJUSTMENTS

During the financial year, the management noted that errors in the accounting treatment of the government grant received as disclosed in Note 10 to the financial statements.

Accordingly, the financial statement for the financial year ended 30 June 2011 has been restated to correct the errors. The following prior year adjustments have been adjusted to conform with the current financial year presentation.

	As restated RM	As previously stated RM
Income Statement		
Other income	-	60,000
Balance Sheet		
Non-current liabilities:		
Government grant received in advance	60,000	-
Capital and reserve:		
Accumulated losses	(3,433,293)	(3,373,293)

16. CURRENCY

All amounts are stated in Ringgit Malaysia ("RM")