

# **AdvanceTC Limited**

ACN 600 238 444

## **Annual Financial Report**

**For the Year Ended 31 December 2015**

## **Contents**

**For the Year Ended 31 December 2015**

	<b>Page</b>
<b>Financial Statements</b>	
Corporate Information	1
Chairman's Report	2
Directors' Report	3
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	15
Corporate Governance Statement	16
Statement of Profit or Loss and Other Comprehensive Income	25
Statement of Financial Position	26
Statement of Changes in Equity	27
Statement of Cash Flows	28
Notes to the Financial Statements	29
Directors' Declaration	63
Independent Auditor's Report	64
Additional Information for Listed Public Companies	67

## **AdvanceTC Limited**

ACN 600 238 444

## **Corporation Information**

**31 December 2015**

### **Directors**

Cheng Pheng Loi  
Gim Keong Lee  
Jonathan Yeow Koon Loi  
Chee Tuck Cho  
Chee Seng Cho  
William Keng Yaw Tan

### **Company Secretary**

Mark Studd

### **Registered Office**

Level 12, Grosvenor Place  
225 George Street  
SYDNEY NSW 2000  
Australia

### **Principal Place of Business**

Level 12, Grosvenor Place  
225 George Street  
SYDNEY NSW 2000  
Australia

### **Share Registry**

Boardroom Pty Ltd  
Level 12, Grosvenor Place  
225 George Street  
SYDNEY NSW 2000  
Australia

### **Solicitors**

GRT Lawyers  
Level 1, 400 Queen Street  
Brisbane QLD 4000  
Australia

### **Bankers**

Hong Leong Bank Bhd  
Level 1 Wisma Hong Leong  
No 18, Jalan Perak,  
50450 Kuala Lumpur, Malaysia

Standard Chartered Bank  
2-1,2-2, 2-3, 2-3A, 2A-1  
Jalan PJU 5/17 Dataran Sunway  
Kota Damansara  
47800 Petaling Jaya, Malaysia

### **Auditors**

BDO Audit Pty Limited  
Level 10, 12 Creek Street  
Brisbane QLD 4000  
AUSTRALIA

**Advance TC Limited shares are listed on the National Stock Exchange of Australia (NSX code A88)**

## Chairman's Report

31 December 2015

Dear Shareholder

2015 was a transition year for the Company:

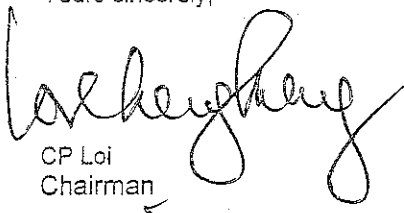
1. We have launched and started sales of our Android/Windows smartphones in Q4 2015 and the sales pickup is very promising. We are already developing new models with metal frames which will reach markets in South Asia, France and Australia by June 2016.
2. We have secured a pilot project for Zlate tablets, with a potential contract to be negotiated in mid 2016. The Zlate M is in preproduction now and the new Zlate X is in advanced development.
3. We expect to release a range of Windows Continuum phones before the end of 2016. The Magic Quad superphone development is progressing as planned, for an early 2017 launch.
4. We have developed and have successfully marketed our new mobile and online community platform. We expect this software segment to grow significantly and provide recurring revenue to the Company from 2016.

As a result of the above, we have achieved total revenue and other income growth in 2015 (11.3 Million MYR or +19% over 2014) based mostly on Q4 sales, and we fully expect all the above segments to contribute to increased revenues and profit to the Company in 2016.

We expect 2016 to be a significant year when we will secure robust growth and increased revenue.

We are working with commercial and government financial institutions to secure additional facilities to support our commercial growth. Management is fully aware of the needs and is continuing its efforts to raise additional capital to support the expansion of our core business activities.

Yours sincerely,



CP Loi  
Chairman

Date : 31 MAR 2016

**Directors' Report****For the Year Ended 31 December 2015**

The Directors present their report, together with the financial statements of the Group, being AdvanceTC Limited (the Company) and its controlled entities, for the financial year ended 31 December 2015.

**1. General information****Information on directors**

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

Cheng Pheng LOI	Executive Chairman, appointed 20 June 2014.
Qualifications	Mr Loi holds a Bachelor of Economics, majoring in Business Administration from the University of Malaya.
Experience	Mr Loi is one of the founding members of the Company since its inception in 2005. He has more than 30 years of experiences in sales & marketing and business dealing in the telecommunication sector. Mr Loi was one of the pioneers to start the VoIP business in Malaysia.
Interest in shares and options	Shares: 79,040,000 fully paid ordinary shares.
Special responsibilities	Mr Loi holds the position of Chief Executive Officer of the Company.
Other current directorships in listed entities	None
Other directorships in listed entities held in the previous three years	None
Gim Keong LEE	Executive Director, appointed 14 July 2014.
Qualifications	Mr Lee holds in-house matsushita certifications
Experience	Mr Lee has more than 29 years of operation experience, involving factory operations, particularly in Procurement, Quality Control, Cost Control and Manufacturing. He is a co-inventor of the Company's Core Technology patent. Mr Lee worked with Panasonic Group Malaysia for 21 years and was the Chairman / Vice Chairman of various sub-groups. Mr Lee is a regular Invited Guest Speaker on Work Places for the Malaysian National Institute of Occupational, Safety and Health Organisation (NIOSH).
Interest in shares and options	Shares: 3,280,000 fully paid ordinary shares.
Special responsibilities	Mr Lee holds the position of Chief Operations Officer of the Company. He oversees operations and management in the Research and Development, Manufacturing, Procurement and Marketing unit of the Company.
Other current directorships in listed entities	None
Other directorships in listed entities held in the previous three years	None

**Directors' Report****For the Year Ended 31 December 2015****Information on directors continued**

Jonathan Yeow Koon LOI	Executive Director, appointed 14 July 2014.
Qualifications	Mr Loi holds a diploma in Computing and Information Technology from Asia Pacific Institute of Information Technology.
Experience	Mr. Loi is one of the founding members of the Company, and the author and co-inventor of the Company's Core Technology patent. Mr. Loi has extensive knowledge and experience in hardware and software user interfaces, user experience and firewall systems. His other experiences include developing customized firewall software and consulting for software companies.
Interest in shares and options	Shares: 76,349,840 fully paid ordinary shares.
Special responsibilities	Mr Loi holds the position of Chief Technology Officer of the Company.
Other current directorships in listed entities	None
Other directorships in listed entities held in the previous three years	None
Chee Tuck CHO	Independent Non-executive Director, appointed 14 July 2014..
Qualifications	Mr. Cho holds an IDPM Higher Diploma (UK), Systematic Higher Diploma and NCC Diploma (UK) in Computing Computer Studies. He is also an associate member of the Institute of the Management of Information Systems.
Experience	Mr. Choo was a Senior Executive in the Finance IT division with Sime Darby Plantation Sdn Bhd, managing bio-metric solutions and Weighbridge security-based user authentication system project. Prior to that, he was a Senior System Analyst with Kumpulan Guthrie Berhad.
Interest in shares and options	Shares: 2,955,960 fully paid ordinary shares.
Other current directorships in listed entities	None
Other directorships in listed entities held in the previous three years	None
Chee Seng CHO	Independent Non-executive Director, appointed 20 June 2014..
Qualifications	Mr. Cho holds a Technician Diploma in Mechanical Engineering from Singapore Polytechnic.
Experience	Mr. Choo is an engineer by profession with more than 22 years of experience in the engineering field especially in the oil and gas sector. He was a deputy manager, project manager, and senior project engineer for various companies in design and building facilities for oil gas and mining industries.
Interest in shares and options	Shares: 200,000 fully paid ordinary shares.
Other current directorships in listed entities	None
Other directorships in listed entities held in the previous three years	None

**Directors' Report****For the Year Ended 31 December 2015****Information on directors continued**

William Keng Yaw TAN	Independent Non-executive Director, appointed 20 June 2014.
Qualifications	Mr. Tan holds a Bachelor of Commerce from University of New South Wales. He is an associated member of the Australian Institute of Chartered Accountants.
Experience	Mr. Tan has been in Chartered Accounting practice of 25 years. He was a legal representative of an Australian company Signay Pty Ltd in China for liaison with its agent and manufacturer. Mr. Tan was also a consultant to Hokay Fitness and Ice Group in Beijing which operated the biggest chain of fitness clubs and recreational ice rinks in China.
Interest in shares and options	NIL
Other current directorships in listed entities	None
Other directorships in listed entities held in the previous three years	None

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Interests in the shares and options of the Group and related bodies corporate**

As at the date of this report, the interests of the directors in the shares of AdvanceTC Limited were:

	Number of Ordinary Shares
Cheng Pheng Loi	79,040,000
Jonathan Yeow Koon Loi	76,349,840
Gim Keong Lee	3,280,000
Chee Tuck Cho	2,955,960
Chee Seng Cho	200,000
William Keng Yaw Tan	-

**Principal activities and significant changes in nature of activities**

The principal activities of the Group during the financial year were to act as a holding company for AdvanceTC Sdn Bhd, a company incorporated and having its principal place of business in Malaysia. AdvanceTC Sdn Bhd owns 60.1% of Advance Tech Communications Sdn Bhd, a company also incorporated in Malaysia, which is the group's operating entity and specialises in the design, development and commercialisation of high tech mobile wireless computing and telecommunication devices. It is the creator of the MAGIC™ brand of mobile computing devices and operates development facilities in Malaysia. AdvanceTC Limited owns a further 27.1% of Advance Tech Communications Sdn Bhd taking the total consolidated ownership to 87.2%.

The following significant changes in the nature of the principal activities occurred during the financial year:

- On 18 December 2015 the Company acquired 27.1% of the issued share of existing subsidiary Advance Tech Communications Sdn Bhd (ATC) as settlement of debt due from ATC. The total Group ownership of ATC is now 87.2%.

There were no other significant changes in the nature of the Group's principal activities during the financial year.

## **Directors' Report**

### **For the Year Ended 31 December 2015**

#### **2. Operating results and review of operations for the year**

##### **Operating results**

The consolidated loss of the Group amounted to MYR206,546, after providing for income tax. This represented a 93% decrease on the loss reported for the year ended 31 December 2014. The significant drop in loss was largely from the sales of software licences and ANDROID/WINDOW SMARTPHONES.

##### **Review of operations**

We managed to maintain substantial sales revenues of MYR 5,235,310. This is contributed by MAGIC ZLATE and ANDROID WINDOW SMARTPHONE. And also new source revenue from software sales contributed of MYR 5,688,850.

We have launched and started sales of our Android/Windows smartphones in Q4 2015 and the sales pickup is very promising. The new product targets the huge smart phone market. This has contributed to decrease of loss for the year to MY 206,546

Therefore our current sales and advertising efforts are refocussed accordingly. We are already developing new models with metal frames which will reach markets in South Asia, France and Australia by June 2016.

- We have secured a pilot project for Zlate tablets, with a potential contract to be negotiated in mid 2016. The Zlate M is in preproduction now and the new Zlate X is in advanced development.
- We expect to release a range of Windows Continuum phones before the end of 2016. The Magic Quad superphone development is progressing as planned for an early 2017 launch.
- We have developed and have successfully marketed our new mobile and online community platform. We expect this software segment to grow significantly and provide recurring revenue to the Company from 2016.

The year 2015 was significant that we manage to maintain robust growth and increased revenue.



## **Directors' Report**

### **For the Year Ended 31 December 2015**

#### **2. Operating results and review of operations for the year continued**

##### **Financial Status**

This is a start up company. We have listed our company to secure the target funds in order to finance the commercialization for our technology. While we work to secure the target funds and until the funds become available, the major shareholders will support the operations and will provide the bridging finance in the interim.

The Company is currently negotiating to secure a financial commitment for an equity fund of AUD 4.5million (MYR14million) from a Hong Kong based management company. The expected scheduled for the fund to bank into the Company in the 2<sup>nd</sup> half of 2016. The funds will be paid to the vendors (consisting of existing shareholders) who will in return offer a long term, interest free loan to the Company.

We plan to issue 45,000,000 new shares as part of the overall treasury plan to raise our target funds. The new shares will dilute our current share holdings and our near term EPS. But they will provide the foundation for us to ensure our financial success for our project which it is hoped will substantially enhance EPS in the future.

The funds to be raised will be to complete the development of commercial units for our innovative products MAGIC X, MAGIC QUAD, MAGIC ANDROID SMART PHONE and support continued R&D for new product developments.

A significant part of the target funds we raise will be used to register our product PATENT/IP in key host countries. At the moment we have only registered our product PATENT/IP in Malaysia. We also plan to file new patent applications in the course of our development work to complete our new innovative products.

Besides of the above mentioned, we are also aiming to raise further funds that will enable us complete our innovative products for commercial launch in 2016.

Our innovative products will drive the market and help us build a truly global company and this will contribute towards us achieving our financial success. The major risk to the Company and the project is we are unable to raise the target funds in a timely manner or we are unable to raise the adequate amount we need to ensure financial success.

#### **3. Financial review**

##### **Financial position**

The net assets of the Group have increased by MYR4,991,120 from 31 December 2014 to MYR10,549,167 at 31 December 2015. This increase is largely due to the following factors:

- The issuance of 45,047,632 ordinary shares of the Company, raising MYR4,800,690; and
- Consolidated annual loss of the Group has reduced from MYR2,971,027 in 2014 to MYR206,546 in 2015

## **Directors' Report**

**For the Year Ended 31 December 2015**

### **4. Other items**

#### **Dividends paid or recommended**

No dividends have been paid or recommended during the financial year.

#### **Events after the reporting date**

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years. Currently a number of funding options are being explored and are expected to provide the necessary working capital to allow the company to meet its obligations and realize its assets in the ordinary course of business.

#### **Future developments and results**

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

#### **Environmental issues**

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

#### **Company Secretary**

Mr. Mark Studd held the position of Company Secretary at the end of the financial Year. Mark was appointed as the Company Secretary on 23 October 2015 following the resignation of Ms Sonia Joksimovic.

Mr. Studd is an experienced Company Secretary and corporate governance professional. His experience includes both the ASX listed and unlisted company arenas, in a range of industries including retail, civil engineering and biotechnology. He has an MBA as well as a Graduate Diploma of Applied Corporate Governance with Governance Institute of Australia. Mark is a Fellow of Governance Institute of Australia.

## Directors' Report

For the Year Ended 31 December 2015

### 4. Other items continued

#### Meetings of directors

During the financial year, two meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Cheng Pheng LOI	2	2	1	1
Gim Keong LEE	2	1	-	-
Yeow Koon, Jonathan LOI	2	1	-	-
Chee Tuck CHO	2	1	1	1
Chee Seng CHO	2	2	1	1
Keng Yaw, William TAN	2	2	-	-

#### Indemnification and insurance of Directors Officers and Auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an Officer or Auditor of AdvanceTC Limited.

#### Options

At the date of this report, there are no unissued ordinary shares of AdvanceTC Limited under option.

During the year ended 31 December 2015, no ordinary shares of AdvanceTC Limited were issued on the exercise of options granted.

#### Proceedings on behalf of company

As at the date of this Report, no person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not party to any such proceedings during the year.

#### Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 31 December 2015 has been received and can be found on page 15 of the financial report.

**Directors' Report****For the Year Ended 31 December 2015****Remuneration report (audited)****Remuneration policy**

The remuneration policy of AdvanceTC Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and has not yet offered any specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of AdvanceTC Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- The remuneration policy has been developed and approved by the Board.
- All key management personnel receive a base salary.
- The Remuneration Committee will be formed in 2<sup>nd</sup> half year 2016, the committee will review key management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.
- Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. Key management personnel are paid a percentage of between 5-10% of their salary in the event of redundancy. Any options not exercised before or on the date of termination will lapse.
- All remuneration paid to key management personnel is valued at the cost to the Group and expensed.

**Relationship between remuneration policy and company performance**

The company's performance and its impact on shareholder wealth since listing is summarised as follows:

	On Listing	31 December 2014	31 December 2015
Profit / (Loss)	N/A	MYR (2,971,027)	MYR (206,546)
Share price	AUD0.65	AUD0.68	AUD0.82
Dividends	N/A	N/A	N/A
Market capitalisation	AUD195,206,408	AUD204,215,934	AUD283,199,449

## Directors' Report

### For the Year Ended 31 December 2015

#### Remuneration report (audited) - continued

#### Employment details of members of key management personnel

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Group. All key management personnel were in office for the full financial year unless otherwise stated.

#### Key management personnel

Cheng Pheng LOI  
Gim Keong LEE  
Jonathan Yeow Koon LOI  
Chee Tuck CHO  
Chee Seng CHO  
William Keong Yaw TAN  
Chee Yong, FOO

#### Position

Chief Executive Officer and Executive Director (Chairman)  
Chief Operating Officer and Executive Director  
Chief Technology Officer and Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Head of Finance

#### Service Agreements

##### Non-executive directors

On appointment to the Board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The agreements summarise the Board policies and terms, including remuneration, relevant to the office of director. There is no fixed duration for these contracts. The agreements require a termination year of at least two (2) months written notice.

##### Executive directors and other key management personnel

All executive directors and other key management personnel are employed pursuant to service agreements. There is not fixed duration for these contracts. The agreements require a termination year of at least two (2) months written notice (except in cases of termination for cause where termination is immediate). In case of resignation, no separation payment is made to the executive, except for amounts due and payable up to the date of ceasing employment.

The respective remuneration packages are summarized as follows:

Cheng Pheng LOI (CEO) contract allows for an annual salary of MYR322,563

Gim Keong Lee (COO) contract allows for an annual salary of MYR190,563

Jonathan Keow Koon LOI (CTO) contract allows for an annual salary of MYR190,563

The Head of Finance's contract allows for an annual salary of MYR96,000.

There are no provisions in the agreements for short term bonuses or long term incentive plans and no pre-determined future salary increases.

Subsequent to the service agreements with the Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Technology Officer (CTO), the Company entered into a Financial Services Agreement with a director related entity (which manufactures the Company's products) in respect of certain expenses which are to be borne by the two entities. Under this Agreement dated 1 January 2015, the remuneration costs of the CEO and COO were to be borne by AdvanceTC and the remuneration costs of the CTO were to be borne by the director related entity.

## Directors' Report

### For the Year Ended 31 December 2015

#### Remuneration report (audited) continued

#### Remuneration details of members of key management personnel for the year ended 31 December 2015

The following table of benefits and payments details, the components of remuneration for each member of the key management personnel of the Group, in respect to the financial year.

#### Table of benefits and payments

	Short term		Post employment	Long term benefits	Share based payments	Total
	Cash salary fees	Bonus & other	Pension and superannuation		Options, rights & shares	
2015	MYR	MYR	MYR	MYR	MYR	MYR
Directors						
Cheng Pheng LOI	322,563	-	-	-	-	322,563
Gim Keong LEE	190,563	-	-	-	-	190,563
Jonathan Yeow Koon LOI	190,563	-	-	-	-	190,563
Chee Tuck CHO	22,563	-	-	-	-	22,563
Chee Seng CHO	22,563	-	-	-	-	22,563
William Keng Yaw TAN	22,563	-	-	-	-	22,563
Executive						
Chee Yong FOO	96,000	-	-	-	-	96,000
	<b>867,378</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>867,378</b>

#### Remuneration details of members of key management personnel for the year ended 31 December 2014

	Short term		Post employment	Long term benefits	Share based payments	Total
	Cash salary fees	Bonus & other	Pension and superannuation		Options, rights & shares	
2014	MYR	MYR	MYR	MYR	MYR	MYR
Directors						
Cheng Pheng LOI	450,000	4,500	-	-	-	454,500
Gim Keong LEE	252,000	-	-	-	-	252,000
Jonathan Yeow Koon LOI	252,000	-	-	-	-	252,000
Chee Tuck CHO	9,801	-	-	-	-	9,801
Chee Seng CHO	10,954	-	-	-	-	10,954
William Keng Yaw TAN	10,954	-	-	-	-	10,954
Executive						
Chee Yong FOO	126,600	-	-	-	-	126,600
	<b>1,112,309</b>	<b>4,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,116,809</b>

**Directors' Report****For the Year Ended 31 December 2015****Remuneration report (audited) continued****Securities received that are not performance related**

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

**Cash performance-related bonuses**

There were no bonuses granted as remuneration during the year to key management personnel during the year.

**Description of options/rights granted as remuneration**

There were no options granted as remuneration to key management personnel and executives during the year.

**Key management personnel options and rights holdings**

There were no options to take up unissued ordinary shares of the Group held by key management personnel during the financial year.

**Key management personnel shareholdings**

The number of ordinary shares in AdvanceTC Limited held by each key management person of the Group during the financial year is as follows:

	Balance at beginning of year	Other changes in the year #	Issued on exercise of options	Balance at end of year
31 December 2015				
Key management personnel				
Cheng Pheng LOI	79,040,000	-	-	79,040,000
Jonathan Yeow Koon LOI	76,349,840	-	-	76,349,840
Gim Keong LEE	3,280,000	-	-	3,280,000
Chee Tuck CHO	2,455,960	500,000	-	2,955,960
Chee Yong FOO	100,000	-	-	100,000
Chee Seng CHO	700,000	(500,000)	-	200,000

# other share transactions related to shares acquired on market and/or shares held on appointment or resignation

There were no shares held nominally at 31 December 2015 (2014: nil).

**Transaction (excluding loans)**

There were no transactions with KMP except as disclosed elsewhere in the remuneration report.

**Loans provided by KMP**

The following information relates to KMP loans made, guaranteed or secured during the reporting year

## Directors' Report

For the Year Ended 31 December 2015

### Remuneration report (audited) continued

	Balance at beginning of year	Movement for the year	Interest charged	Balance at end of year
	MYR	MYR	MYR	MYR
Cheng Pheng LOI	174,666	(119,594)	-	55,072
Jonathan Yeow Koon LOI	20,300	10,000	-	30,300
Chee Yong FOO	100	2,900	-	3,000

There are no terms and conditions attached with respect to interest or repayment of the loans.

Had interest been charged on an arm's length basis the respective charges payable to each key management personnel of the Group during the financial year is as follows:

	MYR
Cheng Pheng LOI	15,253
Jonathan Yeow Koon LOI	1,733
Chee Yong FOO	106

### End of Audited Remuneration Report (audited)

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Director:   
Cheng Pheng LOI

Dated this **31 MAR 2016** of ..... 2016



## AdvanceTC Limited

ACN 600 238 444



Tel: +61 7 3237 5999  
Fax: +61 7 3221 9227  
[www.bdo.com.au](http://www.bdo.com.au)

Level 10, 12 Creek St  
Brisbane QLD 4000  
GPO Box 457 Brisbane QLD 4001  
Australia

### DECLARATION OF INDEPENDENCE BY DP WRIGHT TO THE DIRECTORS OF ADVANCETC LIMITED

As lead auditor of AdvanceTC Limited for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect AdvanceTC Limited and the entities it controlled during the year.

A handwritten signature in black ink, appearing to read 'D P Wright', is written over a light blue rectangular background.

D P Wright  
Director

**BDO Audit Pty Ltd**

Brisbane, 31 March 2016

## **Corporate Governance Statement**

**31 December 2015**

The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place to ensure they meet the interests of shareholders. The Company complies with the National Stock Exchange (NSX) of Australia's principles of corporate governance (the Principles).

Copies of AdvanceTC Limited's Board committee charters and key corporate governance policies or summaries will be available in the Corporate Governance section of the website at <http://www.advancetc.com/corporate-info.html>.

### **Principle 1: Lay solid foundations for management and oversight**

#### **Role of the Board and Management**

The Board of Directors is responsible for the corporate governance of the Company. The Board provides strategic guidance for the Company, and effective oversight of management. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has adopted a Charter that details its roles and responsibilities, which is available on our website.

The Board has delegated responsibility for day-to-day management of the Company to the Chief Executive Officer (CEO) and there is a formal delegations structure in place which sets out the powers delegated to the CEO and those specifically retained by the Board, these delegations are reviewed on a regular basis.

#### **Responsibilities of the Board**

The Board is responsible for:

- Overseeing the company, including its control and accountability systems;
- Overseeing the integrity of the accounting and corporate systems, including external audit;
- Appointing and removing the CEO;
- Where appropriate, ratifying the appointment and removal of senior executives;
- Providing input into and final approval of management's development of corporate strategy and performance objectives;
- Reviewing, ratifying and monitoring systems of risk management and internal controls, codes of conduct and legal compliance;
- Monitoring senior executives performance and implementation of strategy;
- Ensuring timely and balanced disclosure of all material information concerning the company that a reasonable person would expect to have a material effect on the price or value of the company's securities;
- Ensuring appropriate resources are available to senior executives;
- Approving and monitoring the operating budgets and progress of major capital expenditure, capital management and acquisitions and divestures; and
- Monitoring the effectiveness of the entity's governance practices.

## **Corporate Governance Statement**

**31 December 2015**

### **Allocation of individual responsibilities**

Formal letters of appointment are provided to all new Directors and Senior Executives setting out key terms and conditions of their appointment.

### **Responsibilities of management**

Management are responsible for implementing the strategic objectives of the company and operating within the risk appetite set by the Board as well as other aspects of the day-to-day running of the Company.

Management is also responsible for providing the Board with accurate, timely clear information to enable the Board to perform its responsibilities.

### **The Company Secretary**

The Company Secretary is appointed by the Board and is responsible for:

- Advising the Board and its Committees on Governance matters;
- Monitoring compliance with Board policies and procedures;
- Co-ordinating Board papers;
- Accurately recording decisions and discussions from Board meetings; and
- Co-ordinating the induction and professional development of Directors.

### **Ongoing training**

Directors identify additional training needs on an ongoing basis and attend these as necessary to ensure they have the appropriate skills and knowledge to perform their role.

### **Evaluation of Directors and Senior Executives**

No performance evaluation for Directors and Senior Executives has taken place.

### **Appointment of Board Members**

Prior to appointing or putting forward a candidate for election to the Board, based on candidate working experience and resume provided. The Board would appoint candidate who are known to them.

### **Diversity policy**

In respect of diversity, the Board considers that diversity includes differences that relate to gender, age, ethnicity and cultural background. It also includes differences in background and life experience, communication styles, interpersonal skills, education and problem solving skills.

The Board seeks to develop a culture of diversity within the Company whereby a mix of skills and diverse backgrounds are employed by the Company at all levels through structuring the recruitment processes at all levels so that a diverse range of candidates are considered and there are no excuses or unconscious biases that might discriminate against certain candidates.

## **Corporate Governance Statement**

**31 December 2015**

The Company strives to:

1. Develop and maintain a diverse and skilled workforce through transparent recruitment processes.
2. Promote an inclusive workplace culture that values and utilises the contributions of all employees backgrounds, experiences and perspective though improved awareness of the benefits of workforce diversity.
3. Facilitate diversity in the workplace by developing programs that promote growth for all employees, so each employee may reach their full potential, and providing maximum benefit for the Company.
4. Set measurable objectives to encourage diversity within the Company.

AdvanceTC Limited considers the key management personnel, excluding Directors, to be the senior executives of the Company.

### **Principle 2: Structure the Board to add Value**

The Board's policy is that the Board needs to have an appropriate mix of skills, experience, expertise and diversity to be well equipped to help the Company navigate the range of challenges faced by the Company.

The names, independence status and terms of service of the members of the Board as at the date of this report are set out in the Directors' Report together with the Board member's experience, expertise and qualifications.

### **Composition of the Board**

The Board seeks to ensure that:

- At any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external or fresh perspective;
- There is a sufficient number of directors to serve on Board committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities; and
- The size of the Board is appropriate to facilitate effective discussion and efficient decision making.

In accordance with the NSX Listing Rules, the Company holds an election of Directors each year at its Annual General Meeting.

### **Board committees**

To ensure that the responsibilities of the Board are upheld and executed to the highest level, the Board will set up the following Board committees:

- Remuneration Committee
- Nomination & Governance Committee

Each of these committees will have charters and operating procedures in place which will be reviewed on a regular basis. The Board may establish other committees from time to time to deal with matters of special importance. The Committees will have access to the Company's executives and senior management as well as independent advice. Copies of the minutes of each Committee meeting will be made available to the full Board, and the Chairman of each Committee will provide an

## **Corporate Governance Statement**

**31 December 2015**

update on the outcomes at the Board meeting that immediately follows the Committee meeting.

### **Board skills matrix**

The key skills required by the Board are highlighted in the list as below, the Board believes that there are sufficient directors with these skills and there are no deficiencies in these skills in the current board.

- Risk and compliance: Identify key risks to the company related to each key area of operations. Ability to monitor risk and compliance and knowledge of legal and regulatory requirements.
- Financial and Audit: Experience in accounting and finance to analyse statements, assess financial viability, contribute to financial planning, overseas budgets and funding arrangements.
- Strategy: Ability to identify and critically assess strategic opportunities and threats to the organisation. Develop strategies in context to our policies and business objectives.
- Policy development: Ability to identify key issues for the organisation and develop appropriate policy parameters within which the company should operate.

### **Independent decision making**

The Board recognises the important contribution independent Directors make to good corporate governance. All Directors, whether independent or not, are required to act in the best interests of the Company and to exercise unfettered and independent judgment.

A Director is considered to be independent if he or she is free of any interest, position, association or relationship that might influence or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally.

If any Director believes there is a change in their independence status, they are required to notify the Board as soon as possible.

The Board has adopted specific principles in relation to directors' independence and considers the following, at least annually, when determining if a Director is independent:

Whether the Director:

- Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- Is employed, or has previously been employed in an executive capacity by the Company or another group member, and there has not been a year of at least three years between ceasing such employment and serving on the Board.
- Has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided.
- Is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has a material contractual relationship with the Company or another group member other than as a director.

## **Corporate Governance Statement**

**31 December 2015**

### **Role of the Chair**

The Chair of the Board is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's functioning.

The Chair facilitates the effective contribution of all directors and promotes constructive and respectful relations between directors and between Board and management.

### **Nomination and Governance Committee**

The Nomination and Governance Committee will be formed in the 2<sup>nd</sup> half of 2016 to assist the Board in fulfilling its corporate governance responsibilities in regard to:

- Board appointments, re-elections and performance and general succession planning for Board / Senior Management;
- Directors' induction and continuing development;
- Board Committee membership;
- Endorsement of Executive appointments; and
- Development and implementation of the Company's governance policies and monitoring compliance with those policies and practices.

The Nomination and Governance Committee once formed will responsible to the above tasks.

### **Access to information**

The Board is provided with the information it needs to discharge its responsibilities effectively and all Directors have complete access to senior management through the CEO or Company Secretary at any time.

## **Principle 3: Act ethically and responsibly**

### **Code of conduct**

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- Act in the best interest of the entity;
- Act honestly and with high standards of personal integrity;
- Exercise due care and diligence in fulfilling the functions of office;
- Avoid conflicts and make full disclosure of any possible conflicts of interest;
- Comply with the laws and regulations that apply to the entity and its operations;

## **Corporate Governance Statement**

**31 December 2015**

- Not knowingly participate in any illegal or unethical activity; and
- Comply with the share trading policy outlined in the Code of Conduct.

### **Principle 4: Safeguard integrity in corporate reporting**

#### **Audit and Risk Committee**

The Board have formed an Audit and Risk Committee. The ultimate responsibility for the integrity of the Company's financial reporting rests with the full Board. The Audit and Risk Committee assists the Board in fulfilling its corporate governance responsibilities in regard to:

- the adequacy of the entity's corporate reporting processes;
- whether the entity's financial statements reflect the understanding of the committee members of, and otherwise provide a true and fair view of, the financial position and performance of the entity;
- the appropriateness of the accounting judgements or choices exercised by management in preparing the entity's financial statements;
- the appointment or removal, rotation, independence and performance of the external auditor;
- the scope and adequacy of the external audit and any non-audit services;
- if the entity has an internal audit function:
  - \* the appointment or removal of the head of internal audit;
  - \* the scope and adequacy of the internal audit work plan; and
  - \* the objectivity and performance of the internal audit function.

The members of the Audit & Risk Committee are:

- Chee Tuck Cho (Chairman)
- Chee Seng Cho
- Cheng Pheng Loi

The Audit and Risk Committee reports to the Board after every meeting on all matters relevant to the Committee's roles and responsibilities.

#### **External Auditor**

The External Auditor is invited to attend the AGM and is available to answer your shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

The Board have received from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion

## **Corporate Governance Statement**

**31 December 2015**

has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### **Internal control**

The Board is responsible for reviewing the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

### **Principle 5: Make timely and balanced disclosure**

AdvanceTC Limited has established policies and procedures to ensure timely and balanced disclosures of all material matters concerning the Company, and to ensure that all investors have equal and timely access to information on the Company's financial performance.

These policies and procedures include a comprehensive disclosure policy that includes identification of matters that may have a material effect on the price on the Company's securities, quality control procedures over announcements, notifying them to the NSX, posting relevant information on the Company's website and issuing media releases.

The Annual Report includes relevant information about the operations of the Company during the year, key financial information, changes in the state of affairs and indications of future developments. The Annual Reports for the current year and for previous years are available under "NSX A88" announcement.

The half year and full year financial results are announced to the NSX.

### **Principle 6: Respect the rights of security holders**

The Company Secretary has been nominated as the person responsible for communications with the NSX.

All Executive Management have an ongoing obligation to advise the Company Secretary of any material non-public information which may need to be communicated to the market.

The Company has an Investor Relations Program which promotes effective communication with shareholders, encourages participation at general meetings and encourages communications throughout the year.

The Company engages with its security holders through:

- Giving them ready access to information about the entity and its governance via the Company website;
- Communicating openly and honestly with them;
- Encouraging and facilitating their participation in meetings of security holders; and
- Providing an email address on all communication for security holders who wish to contact the Company.

The Notice of Annual General Meeting (AGM) on 27 May 2016 at 2.00pm Kuala Lumpur time will be provided to all shareholders and posted on the company's website. Notices for general meetings and other communications with shareholders are drafted to ensure that they are honest, accurate and not misleading and that the nature of the business of the meeting is clearly stated and explained where necessary.

The Board encourages full participation by shareholders at the Annual General Meeting to ensure a high level of Director



## **Corporate Governance Statement**

**31 December 2015**

accountability to shareholders and shareholder identification with the Company's strategy and goals.

### **Principle 7: Recognise and manage risk**

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. Assessment of the business's risk profile is reviewed by the Management regularly.

The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The recent economic environment has emphasised the importance of managing and reassessing its key business risks.

The Audit and Risk Management Committee review the risk register and discuss any updates in identified risks at each meeting as a standard agenda item.

The Board is responsible for reviewing the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board requires management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively.

The Board requires a report from management as to the effectiveness of the company's management of its material business risks.

The Company does not have an internal audit function. The evaluation of the risk management and internal control process is the responsibility of the Audit & Risk Committee and is performed in conjunction with senior executives. External consultants may be used in certain circumstances, however have not been used during the financial year.

### **Principle 8: Remunerate fairly and responsibly**

The Company's remuneration policy is designed in such a way that it:

- motivates senior executives to pursue the long-term growth and success of the Company and
- demonstrates a clear relationship between senior executives' performance and remuneration.

The remuneration policy, which sets the terms and conditions for the key management personnel (KMP) will be developed by the Remuneration Committee after seeking professional advice from independent consultants and was approved by the Board.

All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The Remuneration Committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed corporations and independent advice. The performance of executives is measured against criteria agreed half yearly which are based on the forecast growth of the company's profits and shareholder value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives. It will also provide executives with the necessary incentives to work to grow long-term growth in shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the Board annually as part of the review of executive remuneration. All bonuses, options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria.

## **Corporate Governance Statement**

**31 December 2015**

Further information about the company's remuneration strategy and policies and their relationship to company performance can be found in the Remuneration Report which forms part of the directors' report, together with details of the remuneration paid to key management personnel.

### **Remuneration Committee**

Once formed, the responsibilities of the Remuneration Committee include a review of and recommendation to the Board on:

- the company's remuneration, recruitment, retention and termination policies and procedures for senior executives;
- senior executives' remuneration and incentives;
- superannuation arrangements;
- the remuneration framework for directors; and
- remuneration by gender.

Each member of the Remuneration Committee:

- the would be member of the remuneration committee shall be familiar with the legal and regulatory disclosure requirements in relation to remuneration; and
- shall have adequate knowledge of executive remuneration issues, including executive remuneration issues, including executive retention and termination policies and short term and long term incentive arrangements.

**AdvanceTC Limited**

ACN 600 238 444

**Statement of Profit or Loss and Other Comprehensive Income**

For the Year Ended 31 December 2015

		<b>Consolidated</b>	
		<b>12 months ended</b>	<b>18 months ended</b>
	<b>NOTE</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
		<b>MYR</b>	<b>MYR</b>
Revenue	4	10,924,160	7,166,312
Other income	4	381,479	2,274,994
Changes in inventories of finished goods and work in progress		(344,116)	401,863
Purchases and cost of goods sold		(3,272,778)	(5,437,861)
Employee benefits expense		(1,145,623)	(902,978)
Depreciation and amortisation expense		(2,416,040)	(3,784,339)
Other expenses		(3,953,384)	(2,478,078)
Finance costs		(20,964)	(210,940)
Profit/(loss) before Income tax	5	152,734	(2,971,027)
Income tax expense	6	(359,280)	-
Loss for the year		(206,546)	(2,971,027)
Change comprehensive income/loss for the year, net of tax		-	-
Total comprehensive loss for the year		(206,546)	(2,971,027)
Loss attributable to:			
Members of the parent entity		(328,606)	(3,134,541)
Non-controlling interest		122,060	163,514
		(206,546)	(2,971,027)
Total comprehensive loss attributable to:			
Members of the parent entity		(328,606)	(3,134,541)
Non-controlling interest		122,060	163,514
		(206,546)	(2,971,027)
Earnings per share		Sen	Sen
From continuing operation			
Members of the parent entity	17	(0.1)	(1.0)
Members of the parent entity	17	(0.1)	(1.0)

The accompanying notes form part of these financial statements

**AdvanceTC Limited**

ACN 600 238 444

**Statement of Financial Position**

As at 31 December 2015

		<b>Consolidated</b>	
	<b>NOTE</b>	<b>31 Dec 2015 MYR</b>	<b>31 Dec 2014 MYR</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	110,358	175,231
Trade and other receivables	9	8,487,606	325,742
Inventories	10	124,541	528,511
<b>TOTAL CURRENT ASSETS</b>		<b>8,722,505</b>	<b>1,029,484</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	45,893	88,569
Intangible assets	12	8,414,018	14,663,107
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,459,911</b>	<b>14,751,876</b>
<b>TOTAL ASSETS</b>		<b>17,182,416</b>	<b>15,781,160</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	1,221,561	3,088,589
Deferred income	15	24,700	-
Borrowings	14	652,111	991,545
Current tax liabilities	6	359,280	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,257,652</b>	<b>4,080,134</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	13	4,134,960	5,864,016
Deferred income	15	86,450	-
Borrowings	14	154,187	278,963
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>4,375,597</b>	<b>6,142,979</b>
		<b>6,633,249</b>	<b>10,223,113</b>
<b>NET ASSETS</b>		<b>10,549,167</b>	<b>5,558,047</b>
<b>EQUITY</b>			
Issue capital	16	14,164,707	8,967,041
Reserves	19	2,810,654	2,964,673
Retained earnings	18	(7,471,093)	(7,142,487)
<b>Total equity attributable to equity holders of the Company</b>		<b>9,504,268</b>	<b>4,789,227</b>
Non-controlling interest	19	1,044,899	768,820
<b>TOTAL EQUITY</b>		<b>10,549,167</b>	<b>5,558,047</b>

The accompanying notes form part of these financial statements

## Statement of Changes in Equity

For the Year Ended 31 December 2015

2015

Note	Consolidated					
	Ordinary Shares MYR	Retained Earnings MYR	Reorganisation Reserve MYR	Attributable to owners of AdvanceTC Limited MYR	Non- controlling Interests MYR	Total MYR
Balance at 1 January 2015	8,967,041	(7,142,487)	2,964,673	4,789,227	768,820	5,558,047
Profit attributable to members of the Parent entity	-	(328,606)	-	(328,606)	-	(328,606)
Profit attributable to non-controlling members	-	-	-	-	122,060	122,060
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	(328,606)	-	(328,606)	122,060	(206,546)
Shares issued during the year	5,197,666	-	-	5,197,666	-	5,197,666
Reclassification of equity following change in proportionate interest	-	-	(154,019)	(154,019)	154,019	-
Balance at 31 December 2015	<u>14,164,707</u>	<u>(7,471,093)</u>	<u>2,810,654</u>	<u>9,504,268</u>	<u>1,044,899</u>	<u>10,549,167</u>

2014

Note	Consolidated					
	Ordinary Shares MYR	Retained Earnings MYR	Reorganisation Reserve MYR	Attributable to owners of AdvanceTC Limited MYR	Non- controlling Interests MYR	Total MYR
Balance at 1 July 2013	4,132,000	(4,007,946)	-	124,054	-	124,054
Loss attributable to members of the parent entity	-	(3,134,541)	-	(3,134,541)	-	(3,134,541)
Profit attributable to non-controlling members	-	-	-	-	163,514	163,514
Other comprehensive income/loss for year	-	-	-	-	-	-
Total comprehensive loss for the year	-	(3,134,541)	-	(3,134,541)	163,514	(2,971,027)
Shares issued during the year	8,405,020	-	-	8,405,020	-	8,405,020
Reclassification of equity following change in proportionate interest	(3,569,979)	-	2,964,673	(605,306)	605,306	-
Balance at 31 December 2014	<u>8,967,041</u>	<u>(7,142,487)</u>	<u>2,964,673</u>	<u>4,789,227</u>	<u>768,820</u>	<u>5,558,047</u>

The accompanying notes form part of these financial statements

**AdvanceTC Limited**

ACN 600 238 444

**Statement of Cash Flows**

For the Year Ended 31 December 2015

		<b>Consolidated</b>	
	<b>NOTE</b>	<b>12 months ended 31 Dec 2015 MYR</b>	<b>18 months ended 31 Dec 2014 MYR</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit (loss) before taxation		152,734	(2,971,027)
Adjustments for:			
Depreciation		45,064	69,201
Amortisation		2,370,977	3,715,137
Impairment on trade receivables		1,932	276,345
Gain on disposal of intangible assets		(320,000)	-
Utilisation of government grant		-	(1,429,698)
Impairment of development cost		2,200,000	-
Interest expenses		20,964	-
Inventories written off		59,854	-
Fair value loss/(gain) on non-current payables		68,804	(714,329)
Revenue offset for purchase of rights		-	(6,640,896)
<b>Cash generated from operations</b>		<b>4,600,329</b>	<b>(7,695,267)</b>
Increase/(decrease) in trade and other receivables		(8,161,864)	588,745
Increase/(decrease) in inventories		403,970	(401,864)
Increase/(decrease) in trade and other payables		(1,723,101)	4,375,005
<b>Cash flows used in operating activities</b>		<b>(4,880,666)</b>	<b>(3,163,381)</b>
Interest paid		(20,964)	-
<b>Net cash flows used in operating activities</b>		<b>(4,901,630)</b>	<b>(3,163,381)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(2,388)	(19,927)
Development expenditure		(1,887)	(2,830,846)
<b>Net cash flows used in investing activities</b>		<b>(4,275)</b>	<b>(2,850,773)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of equity instruments and share application monies received		5,197,666	6,062,962
(Repayment of)/proceeds from borrowings		(342,123)	145,084
Payment of finance lease liabilities		(14,511)	(26,087)
<b>Net cash flows from financing activities</b>		<b>4,841,032</b>	<b>6,181,949</b>
<b>Net cash increase/ (decrease) in cash and cash equivalents</b>		<b>(64,873)</b>	<b>167,795</b>
Cash and cash equivalents at beginning of year		175,231	7,436
<b>Cash and cash equivalents at end of the year</b>	<b>8</b>	<b>110,358</b>	<b>175,231</b>

The accompanying notes form part of these financial statements

## **AdvanceTC Limited**

ACN 600 238 444

# **Notes to the Financial Statements**

For the Year Ended 31 December 2015

The financial report covers Advance TC Limited and its controlled entities ('the Group'). Advance TC Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Malaysian ringgits (MYR) which is the Group's functional and presentation currency.

The financial report was authorised for issue by the Directors on 31 March 2016.

The financial report is prepared for the year ended 31 December 2015.

The results for the current year are for 12 months ended 31 December 2015.

The results for the previous corresponding year are for the 18 months ended 31 December 2014.

### **1 Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements and associated notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting years unless otherwise stated.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 2 Summary of Significant Accounting Policies

#### (a) Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a December financial yearend.

#### *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

A list of controlled entities is contained in Note 25 to the financial statements.

#### *Associates*

Interests in associates, where the investor has significant influence over the investee, are accounted for using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures*. Under this method, the investment is initially recognised as cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

#### *Non-controlling interest*

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

#### (b) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net



## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 2 Summary of Significant Accounting Policies continued

#### (b) Business combinations continued

Identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the years in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

#### (c) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of goods and services tax (GST).

##### Sale of goods

Revenue is recognized on transfer of the software licence to the customer and installation of the software. This is deemed to be the point in time when risks and rewards are transferred. Where the terms of the customer contract require that AdvanceTC provide ongoing maintenance support and /or server hosting these elements of the contract are valued independently and deferred over the expected life of the contract.

##### Sale of software licencing and related services

Revenue is recognised on transfer of the software licence to the customer and installation of the software. This is deemed to be the point in time when risks and rewards are transferred. Where the terms of the customer contract require that AdvanceTC provide ongoing maintenance support and/or server hosting these elements of the contract are valued independently and deferred over the expected life of the arrangement.

##### Grant revenue

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the years necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

#### (d) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable in respect of the taxable profit for the year and is measured at the amount expected to be paid to the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting year. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 2 Summary of Significant Accounting Policies continued

#### (d) Income Tax continued

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the year except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

#### (e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the years in which they are incurred. The lease is not recognised in the statement of financial position.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 2 Summary of Significant Accounting Policies continued

(f) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

(g) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

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

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cashflows.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(i) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment of losses.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

#### **Depreciation**

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 2 Summary of Significant Accounting Policies continued

#### (i) Property, Plant and Equipment continued

##### **Depreciation continued**

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired year of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

<b>Fixed asset class</b>	<b>Depreciation rate</b>
Motor Vehicles	20%
Office Equipment	20%
Computer Equipment	20%
Improvements	10%

At the end of each annual reporting year, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

#### (j) Intangible Assets

##### **Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project which is 5 years.

##### **Rights**

Rights relate to the site licensing rights to advertise the Group's products is recognised as an asset at the acquisition date and measured at cost. The rights are amortised on a straight line basis over five(5) years

##### **Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (k) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 2 Summary of Significant Accounting Policies continued

#### (k) Financial instruments continued

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

##### *Financial Assets*

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Group's trade and most other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the\_ impaired receivable.

In some circumstances, the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Group does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 2 Summary of Significant Accounting Policies continued

#### (k) Financial instruments continued

- designated by the entity to be carried at fair value through profit or loss upon initial recognition or
- which are derivatives not qualifying for hedge accounting.

The Group has some derivatives which are designated as financial assets at fair value through profit or loss.

Assets included within this category are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

#### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Group's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category.

All other available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Losses recognised in prior year consolidated statement of profit or loss and other comprehensive income statements resulting from the impairment of debt securities are reversed through the statement of profit or loss and other comprehensive income, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

#### *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Group's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 2 Summary of Significant Accounting Policies continued

#### (l) Impairment of Financial Assets

At the end of the reporting year the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

##### *Financial assets at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

##### *Available-for-sale financial assets*

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

#### (m) Impairment of non-financial assets

At the end of each reporting year the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent years for all assets which have suffered an impairment loss, except for goodwill.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 2 Summary of Significant Accounting Policies continued

(n) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

(o) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting year. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than twelve months after the end of the reporting Year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields corporate bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB119.

(p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting year. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting year.

(q) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.



## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 2 Summary of Significant Accounting Policies continued

(r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity net of any tax effects.

(s) Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting year:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting years are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

(t) Going concern

As at 31 December 2015 the Company has generated losses after income tax for the year of MYR 206,546 (2014: MYR 2,971,027), and net cash outflows from operations of MYR 4,901,630 (2014: MYR 3,163,381)

The ability of the Company to continue as a going concern is dependent upon the Company being able to manage its liquidity requirements by taking some or all of the following actions:

1. Raising additional capital or securing other forms of financing, as and when necessary to meet the levels of expenditure require for the Company to continue to develop the next generation of integrated mobile communication devices and to meet the Company's working capital requirements;
2. Timely collection of trade receivables of MYR 7,847,128;
3. Reducing its working capital expenditure;
4. Disposing of non-core-assets; and
5. Continued successful sales of Magic Smartphone, and proprietary community software application which with recurring revenue.

These conditions give rise to a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

Notwithstanding the above, the Directors consider it is appropriate to prepare the financial statements on a going concern basis after having regard to the following matters:

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 2 Summary of Significant Accounting Policies continued

(t) Going concern continued

1. As at 28 March 2016 MYR4,164,300 of trade receivables due at 31 December 2015 have been received by the Company;
2. Certain related parties and other creditors totalling MYR5,198,076, have given written assurance that it will not call for the payment of amounts owing until such time as the Company is in a position to pay same from the proceeds of a capital raising, or from its own cash flow. These creditors have agreed to deferred settlement plans for various dates in 2017 and beyond;
3. The Company is currently pursuing capital raising plans to be implemented in the ensuing year, and which include facilitating the current indebtedness to Directors and related parties, which comprise the largest component of the Company's liabilities.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amount and classification of liabilities that might be required should the Company not be able to achieve the matters set out above and thus be able to continue as a going concern.

(u) New, revised or amending Accounting Standards are interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

(v) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting year ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting years beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument as increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting years beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time and recognition of revenue when each performance obligation is satisfied.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 2 Summary of Significant Accounting Policies continued

- (v) New Accounting Standards and Interpretations not yet mandatory or early adopted continued

#### *AASB 15 Revenue from Contracts with Customers - continued*

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

### 3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

#### **Key estimates – impairment of intangible assets**

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flows projections which have been discounted at an appropriate rate and using a terminal value to incorporate expectations of growth thereafter.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

The Group prepares and approves formal five year management plans for its operations, which are used in the value in use calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in note 12(b) to the consolidated financial statements.

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 4 Revenue and other income

	<b>Consolidated</b>	
	<b>2015</b>	2014
	<b>MYR</b>	MYR
Sales revenue		
- Sales of goods	5,235,310	7,166,312
- Software revenue	5,688,850	-
	<hr/>	<hr/>
Total Revenue	10,924,160	7,166,312
	<hr/>	<hr/>

	<b>Consolidated</b>	
	<b>2015</b>	2014
	<b>MYR</b>	MYR
Other Income		
Other Income	61,479	845,296
Gain on disposal of intangible assets	320,000	-
Government grants	-	1,429,698
	<hr/>	<hr/>
Total Other Income	381,479	2,274,994
	<hr/>	<hr/>

## 5 Results for the Year

The results for the year was derived after charging/ (crediting) the following items

	<b>Consolidated</b>	
	<b>2015</b>	2014
	<b>MYR</b>	MYR
Finance Costs		
Financial liabilities measured at amortised cost:		
- Interest on obligations under finance lease	6,044	13,635
- Interest on bank overdrafts and loans	9,411	126,596
	<hr/>	<hr/>
- <b>Total interest expense</b>	15,455	140,231
	<hr/>	<hr/>
- Other finance costs	5,509	70,709
	<hr/>	<hr/>
<b>Total finance costs</b>	20,964	210,940
	<hr/>	<hr/>

The result for the year includes the following specific expenses:

	<b>Consolidated</b>	
	<b>2015</b>	2014
	<b>MYR</b>	MYR
Cost of sales	3,616,894	5,035,997
Other expenses:		
Employee benefits expense	1,145,623	902,978
Depreciation and Amortisation expense	2,416,040	3,784,339
Impairment of development costs	2,200,000	-
Fair value movement on non-current payables	68,804	(714,329)
Impairment of receivables:		
- Doubtful debts	1,932	276,345
	<hr/>	<hr/>
Total Impairment of receivables	1,932	276,345
	<hr/>	<hr/>
Rental expense on operating leases:		
- Other lease payments	49,000	33,998

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 6 Income tax expense

The major components of tax expense (income) comprise:

(a) The major components of tax expense (income) comprise:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>MYR</b>	<b>MYR</b>
Income tax expense	<b>359,280</b>	-
<b>(b) Reconciliation of income tax to accounting profit:</b>		
Profit/(Loss) before tax	<b>152,734</b>	(2,971,027)
Tax	<b>17%</b>	26%
	<b>(25,761)</b>	(772,467)
Add:		
Tax effect of:		
- other non-allowable items	<b>1,185,011</b>	1,159,208
	<b>1,159,250</b>	386,741
Less:		
Tax effect of:		
- non taxable income	-	(890,292)
Income tax attributable to parent entity	<b>1,159,250</b>	(503,551)
Deferred tax assets not brought to account	<b>(799,970)</b>	503,551
Income tax expense	<b>359,280</b>	-
Weighted average effective tax rate	<b>235 %</b>	- %

## Unrecognised deferred tax assets

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

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>MYR</b>	<b>MYR</b>
Tax losses	-	3,315,989
Other temporary differences	<b>93,136</b>	(20,975)
	<b>93,136</b>	3,295,014

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therein.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 7 Operating segments

#### Segment information

##### Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Accordingly, management currently identified the Group as having only portable segment, being the design development and commercialisation of high tech mobile wireless computing and telecommunications devices.

The financial results from this segment are equivalent to the financial statements for the Group. There have been no changes in the operating segments during the year.

### 8 Cash and cash equivalents

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>MYR</b>	<b>MYR</b>
Cash and bank balances	<b>110,358</b>	175,231
	<b>110,358</b>	175,231

#### Reconciliation of cash

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>MYR</b>	<b>MYR</b>
Cash and cash equivalents	<b>110,358</b>	175,231

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 9 Trade and other receivables

	Consolidated	
	2015	2014
	MYR	MYR
CURRENT		
Trade receivables – Third parties	7,847,128	295,345
Provision for impairment	(1,932)	(276,345)
	<u>7,845,196</u>	<u>19,500</u>
Deposits	108,860	108,860
Other receivables	533,550	197,382
	<u>642,410</u>	<u>306,242</u>
<b>Total current trade and other receivables</b>	<b><u>8,487,606</u></b>	<b><u>325,742</u></b>

### (a) Impairment of receivables

Reconciliation of changes in the provision for impairment of receivables is as follows:

	Consolidated	
	2015	2014
	MYR	MYR
Opening balance	276,345	-
Charge for the financial year:	1,932	276,345
Provision utilised	(276,345)	-
<b>Balance at end of the year</b>	<b><u>1,932</u></b>	<b><u>276,345</u></b>

### (b) Aged analysis

The ageing analysis of receivables is as follows:

	Consolidated	
	2015	2014
	MYR	MYR
Not past due	3,145,087	-
Past due, not impaired	4,696,281	-
91 + days (past due not impaired)	3,828	19,500
91 + days (considered impaired)	1,932	276,345
	<u>7,847,128</u>	<u>295,845</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable in the financial statements.

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 10 Inventories

	Consolidated	
	2015 MYR	2014 MYR
CURRENT		
At cost:		
Finished goods	124,541	528,511
	<u>124,541</u>	<u>528,511</u>

## 11 Plant and equipment

### PLANT AND EQUIPMENT

	Consolidated	
	2015 MYR	2014 MYR
Motor vehicles		
At cost:	239,187	239,187
Accumulated depreciation	(220,847)	(184,164)
Total motor vehicles	<u>18,340</u>	<u>55,023</u>
Office equipment		
At cost:	7,796	7,796
Accumulated depreciation	(7,796)	(7,796)
Total office equipment	<u>-</u>	<u>-</u>
Computer equipment		
At cost:	125,565	123,178
Accumulated depreciation	(115,719)	(110,200)
Total computer equipment	<u>9,846</u>	<u>12,978</u>
Improvements		
At cost:	28,620	28,620
Accumulated depreciation	(10,913)	(8,052)
Total improvements	<u>17,707</u>	<u>20,568</u>
<b>Total property, plant and equipment</b>	<u><b>45,893</b></u>	<u><b>88,569</b></u>



# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 11 Plant and equipment continued

### (a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

<b>Consolidated</b>	<b>Motor Vehicles MYR</b>	<b>Office Equipment MYR</b>	<b>Computer Equipment MYR</b>	<b>Improvement MYR</b>	<b>Total MYR</b>
<b>Year ended 31 December 2015</b>					
Balance at the beginning of year	55,023	-	12,978	20,568	88,569
Additions	-	-	2,388	-	2,388
Depreciation expense	(36,683)	-	(5,520)	(2,861)	(45,064)
<b>Balance at the end of the year</b>	<b>18,340</b>	<b>-</b>	<b>9,846</b>	<b>17,707</b>	<b>45,893</b>

<b>Consolidated</b>	<b>Motor Vehicles MYR</b>	<b>Office Equipment MYR</b>	<b>Computer Equipment MYR</b>	<b>Improvements MYR</b>	<b>Total MYR</b>
<b>Year ended 31 December 2014</b>					
Balance at the beginning of year	110,047	2,324	17,012	8,460	137,843
Additions	-	-	3,527	16,400	19,927
Depreciation expense	(55,024)	(2,324)	(7,561)	(4,292)	(69,201)
<b>Balance at the end of the year</b>	<b>55,023</b>	<b>-</b>	<b>12,978</b>	<b>20,568</b>	<b>88,569</b>

### (b) Leased assets

Motor Vehicles include the following amounts where the Group is a lessee under a finance lease:

	<b>Consolidated</b>	
	<b>2015 MYR</b>	<b>2014 MYR</b>
Costs	239,187	239,187
Accumulated depreciation	(220,847)	(184,164)
<b>Net book value</b>	<b>18,340</b>	<b>55,023</b>

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 12 Intangible Assets

	Consolidated	
	2015 MYR	2014 MYR
Development costs		
At cost:	<b>8,770,131</b>	8,768,244
Accumulated amortisation and impairment	<b>(3,921,113)</b>	(832,137)
<b>Net carrying value</b>	<b>4,849,018</b>	7,936,107
 Rights		
At cost:	<b>7,210,000</b>	9,610,000
Accumulated amortisation and impairment	<b>(3,645,000)</b>	(2,883,000)
<b>Net carrying value</b>	<b>3,565,000</b>	6,727,000
 <b>Total Intangible assets</b>	<b>8,414,018</b>	14,663,107

### (a) Movements in carrying amounts of intangible assets

Consolidated	Rights MYR	Development costs MYR	Total MYR
<b>Year ended 31 December 2015</b>			
Balance at the beginning of the year	6,727,000	7,936,107	14,663,107
Additions	-	1,887	1,887
Disposal	(1,680,000)	-	(1,680,000)
Amortisation	(1,482,000)	(888,976)	(2,370,976)
Impairment	-	(2,200,000)	(2,200,000)
<b>Closing value at 31 December 2015</b>	<b>3,565,000</b>	<b>4,849,018</b>	<b>8,414,018</b>

Consolidated	Rights MYR	Development costs MYR	Total MYR
<b>Year ended 31 December 2014</b>			
Balance at the beginning of the year	-	7,813,748	7,813,748
Additions	9,610,000	954,496	10,564,496
Amortisation	(2,883,000)	(832,137)	(3,715,137)
<b>Closing value at 31 December 2014</b>	<b>6,727,000</b>	<b>7,936,107</b>	<b>14,663,107</b>

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 12 Intangible Assets continued

#### (b) Impairment assessment

Development expenditure is expenditure incurred for the development of new products. The following describes the key assumptions used on which the Group has based its cash flow projections for the purpose of impairment test:

(i) Cash flows were projected based on financial budgets approved by the management. The budget cover a year of three (3) years in accordance with the products' common life expectancies applied in the industry.

(ii) The total units of anticipated sales is 95,000 units, 142,000 units and 211,500 units for the financial years ending 2016, 2017 and 2018 respectively.

(iii) A pre-tax discount rate of 7.85% per annum has been applied.

Management is not aware of any reasonably possible changes in the above key assumptions, which would cause the carrying amounts of the intangible assets to materially exceed their recoverable amounts.

#### (c) Rights

Rights represent site licensing rights to advertise the Group's products over a year of five (5) years.

During the financial year, the Group made the following cash payments to purchase the Rights:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>MYR</b>	<b>MYR</b>
Purchase of Rights	-	9,610,000
Off-set by sales of goods	-	(6,640,896)
Outstanding balances included in non-current other payables	-	(1,092,754)
	<hr/>	<hr/>
<b>Cash payment for purchase of Rights</b>	<b>-</b>	<b>1,876,350</b>
	<hr/>	<hr/>

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 13 Trade and other payables

	<b>Consolidated</b>	
	<b>2015</b>	2014
	<b>MYR</b>	<b>MYR</b>
CURRENT		
Trade payables (a)	506,161	517,007
Other payables and accruals	715,400	2,571,582
	<u>1,221,561</u>	<u>3,088,589</u>

	<b>Consolidated</b>	
	<b>2015</b>	2014
	<b>MYR</b>	<b>MYR</b>
NON-CURRENT		
Related party payables	1,502,934	2,078,078
Other payables	2,632,026	3,785,938
	<u>4,134,960</u>	<u>5,864,016</u>

Non-current payables are interest free and stated at fair value. Fair value has been calculated based on an assumed interest rate 6.85% per annum. The payables are in Tier 3 of the fair value hierarchy. The reconciliation is as follows:

	<b>Consolidated</b>	
	<b>2015</b>	2014
	<b>MYR</b>	<b>MYR</b>
Related party payables (c)	1,764,927	2,365,225
Other payables (b)	3,004,964	4,200,506
Fair value adjustment	(634,931)	(701,715)
	<u>4,134,960</u>	<u>5,864,016</u>

- (a) Trade payables are non-interest bearing and the normal credit terms granted to the Group and the Company range from 30 days to 90 days.
- (b) Amounts include in non-current other payables represents shareholders advances, which are unsecured, interest free and payable in two (2) to three (3) years.
- (c) Amounts owing to related parties represents advances and payment on behalf, which are unsecured, interest free and payable in two (2) to four (4) years.
- (d) Information on financial risks of trade and other payables are disclosed in Note 21 to the financial statements.

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 14 Borrowings

		<b>Consolidated</b>	
	Note	<b>2015 MYR</b>	<b>2014 MYR</b>
<b>CURRENT</b>			
Secured liabilities:			
Lease liabilities (a)	20	<b>19,653</b>	16,964
Term loan (b)		<b>632,458</b>	974,581
		<b>652,111</b>	991,545
<b>Total current borrowings</b>		<b>652,111</b>	991,545

		<b>Consolidated</b>	
	Note	<b>2015 MYR</b>	<b>2014 MYR</b>
<b>NON-CURRENT</b>			
Unsecured liabilities:			
Amount owing to directors (c)		<b>74,777</b>	182,352
		<b>74,777</b>	182,352
Secured liabilities:			
Lease liabilities (a)	20	<b>79,410</b>	96,611
		<b>79,410</b>	96,611
<b>Total non-current borrowings</b>		<b>154,187</b>	278,963

(a) Lease liabilities are secured on the assets to which they relate. Refer to Note 11 (b).

(b) The term loan bears an interest of 7% per annum and is secured as by:

(j) fixed and floating charge on the future and current assets of AdvanceTC Sdn Bhd and;

(ii) deed of assignment of all proceeds of the irrecoverable letter of credit issued in favour of the Company and financed by Malaysia Debt Venture Berhad.

The term loan is jointly and severally guaranteed by certain Directors.

(c) Amounts owing to Directors are unsecured and interest free and stated at fair value.

	<b>Consolidated</b>	
	<b>2015 MYR</b>	<b>2014 MYR</b>
Amount owing to directors	<b>85,372</b>	194,966
Fair value adjustment	<b>(10,595)</b>	(12,614)
	<b>74,777</b>	182,352

**Notes to the Financial Statements**

For the Year Ended 31 December 2015

**15 Deferred Income**

	<b>Consolidated</b>	
	<b>2015 MYR</b>	<b>2014 MYR</b>
Current portion	<b>24,700</b>	-
Non-current portion	<b>86,450</b>	-
	<b>111,150</b>	-

Deferred income represents receipts from software licensing income for ongoing software maintenance and server hosting. Deferred income is recognized in profit or loss upon the commencement of the agreement and is amortised on a straight line basis over five (5) year.

**16 Issued Capital**

	<b>Consolidated</b>	
	<b>2015 MYR</b>	<b>2014 MYR</b>
345,365,182 (2014: 300,317,550) ordinary shares (a)	<b>10,807,041</b>	6,006,351
Share application monies (b)	<b>3,357,666</b>	2,960,690
	<b>14,164,707</b>	8,967,041

**(a) Ordinary shares**

	<b>Consolidated</b>	
	<b>2015 No.</b>	<b>2014 No.</b>
At the beginning of the reporting year	<b>300,317,550</b>	4,132,000
Shares issued during the year	<b>45,047,632</b>	3,154,462
Recognition of shares in accordance with the requirements Of reverse acquisition accounting	-	293,031,088
At the end of the reporting year	<b>345,365,182</b>	300,317,550

**(b) Share application monies**

	<b>Consolidated</b>	
	<b>2015 MYR</b>	<b>2014 MYR.</b>
At the beginning of the reporting year	<b>2,960,690</b>	-
Shares application monies received	<b>5,357,666</b>	2,960,690
Transferred to share capital on issue	<b>(4,800,690)</b>	-
Reversal to creditors	<b>(160,000)</b>	-
At the end of the reporting year	<b>3,357,666</b>	2,960,690

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 17 Earnings per Share

(a) Earnings used to calculate overall earnings per share

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>MYR</b>	<b>MYR</b>
Earnings used to calculate overall earnings per share	<u><b>(328,606)</b></u>	<u><b>(3,134,541)</b></u>

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>MYR</b>	<b>MYR</b>
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<u><b>316,329,916</b></u>	<u><b>216,301,385</b></u>

## 18 Retained Earnings

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>MYR</b>	<b>MYR</b>
Retained earnings (accumulated losses)		
At the beginning of the financial year	<b>(7,142,487)</b>	<b>(4,007,946)</b>
Loss for the year attributable to members of the parent entity	<u><b>(328,606)</b></u>	<u><b>(3,134,541)</b></u>
<b>Retained earnings at end of the financial year</b>	<u><b>(7,471,093)</b></u>	<u><b>(7,142,487)</b></u>

## 19 Reserves and non-controlling interest

(i) *Change in Proportionate Interest Reserve*

The change in proportionate interest reserve is used to recognize differences between the amount by which non-controlling interests are adjusted and any consideration paid or received which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

Movements in the reorganization reserve are as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>MYR</b>	<b>MYR</b>
Balance at 1 January	<b>2,964,673</b>	-
Reclassification of equity following change in proportionate interest	<u><b>(154,019)</b></u>	<u><b>2,964,673</b></u>
	<u><b>2,810,654</b></u>	<u><b>2,964,673</b></u>

(ii) *Non-Controlling Interests*

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 20 Capital and Leasing Commitments

#### (a) Finance Leases

	Consolidated	
	2015 MYR	2014 MYR
Minimum lease payments:		
- Not later than one year	23,699	21,876
- between one year and five years	83,549	87,504
- Later than five years	3,086	20,224
Minimum lease payments	110,334	129,604
Less: finance changes	(11,271)	(16,029)
Present value of minimum lease payments	99,063	113,575

#### (b) Operating Leases

There were property rental on office premises at MYR4,500/month during the year ended 31 December 2015, until option of purchase of premises is exercised.

#### (c) Contracted Commitments

Contracted commitments for:

Company	2015 MYR	2014 MYR
Capital expenditure in respect of purchase of property, plant and equipment		
Contracted but not provided for	889,200	889,200

This is due to legal process yet to be fully completed. The vendor has agreed to extent monthly rental till 15 April 2016 for completion of legal documentations.

### 21 Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. The Group's overall financial risk management objectives are to ensure that Group creates value for its shareholders whilst minimising potential adverse effects on its financial performance and position. The Group is exposed mainly to credit risk, interest rate risk, liquidity and cash flow risk. Information on the management of the related exposures is detailed below.

#### Objectives, policies and processes

Risk management is carried out by the Group's risk management committee under the delegated power from the Board of Directors. The Head of Finance has primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the Group, these policies and procedures are then approved by the risk management committee and tabled at the board meeting following their approval.

Reports are presented at each Board meeting regarding the implementation of these policies and any risk exposure which the Risk Management Committee believes the Board should be aware of.

Specific information regarding the mitigation of each financial risk to which the Group is exposed is provided below.



## Notes to the Financial Statements

For the Year Ended 31 December 2015

### Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due.

The Group manages its liquidity needs by carefully monitoring and forecasting their cash commitments and maintains a level of cash and bank balances deemed adequate to finance the Group's activities.

The Group's liabilities have contractual maturities which are summarised below:

Consolidated	On demand or within 1 year		1 to 5 years		More than 5 years		Total	
	2015 MYR	2014 MYR	2015 MYR	2014 MYR	2015 MYR	2014 MYR	2015 MYR	2014 MYR
Lease liabilities	23,699	21,876	83,549	87,504	3,086	20,224	110,334	129,604
Term loan	632,458	974,581	-	-	-	-	632,458	974,581
Amounts owing to directors	-	-	85,372	194,666	-	-	85,372	194,666
Trade and other payables	1,221,561	3,088,589	3,004,964	4,200,506	-	-	4,226,525	7,289,095
Related party payables	-	-	1,764,927	2,365,225	-	-	1,764,927	2,365,225
<b>Total</b>	<b>1,877,718</b>	<b>4,085,046</b>	<b>4,938,812</b>	<b>6,847,901</b>	<b>3,086</b>	<b>20,224</b>	<b>6,819,616</b>	<b>10,953,171</b>

### Market risk

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

**Notes to the Financial Statements**

For the Year Ended 31 December 2015

**21 Financial risk management continued****(a) Market risk-Cashflow interest rate sensitivity****(i) Interest rate risk**

The Group is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At the reporting date, the Group is exposed to changes in market interest rates through its hire purchase payables.

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +1.00% and -1.00% (2014: +1.00%/-1.00%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and economist reports.

The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

<b>Consolidated</b>	<b>2015</b>		<b>2014</b>	
	<b>+1.00%</b>	<b>-1.00%</b>	<b>+1.00%</b>	<b>-1.00%</b>
	<b>MYR</b>	<b>MYR</b>	<b>MYR</b>	<b>MYR</b>
<b>Net results</b>	<b>(1,967)</b>	<b>1,967</b>	<b>(9,003)</b>	<b>9,003</b>

**(ii) Other price risk**

The group is not exposed to commodity price risk, or exchange rate risk.

**Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Cash deposits and receivables may give rise to credit risk which requires the loss to be recognised if a counterparty fails to perform as contracted. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit year is generally for a year of one (1) month, extending up to two (2) months. The Group's seek to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. At 31 December 2015 99.8% of trade receivables were due from two (2) major customer. As at the date of this report 62.6% of these balances have been received. The Group expects to recover the remaining balance in full in due course.

In respect of cash and bank balances, as they placed with major financial institutions in Malaysia, the Directors believe that the possibility of non-performance by the financial institutions is remote on the basis of their financial strength.

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 21 Financial Risk Management continued

#### Credit risk continued

##### Exposure to credit risk

At the end of the reporting year, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognized in the statements of financial position

##### Credit concentration profile

As at the end of the reporting year, amounts owing by two (2) major customers of the Group represented 99.8% (MYR 7,834,083) (2014: 93.6% MYR276,345) of total trade receivables of the Group. There is no other significant concentration of credit risk.

##### Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 9 to the financial statement.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

### 22 Dividends

There were no dividends paid or recommended during the year or since the end of the year. There are no franking credits available to the shareholders of the Company

### 23 Key Management Personnel Disclosures

.Key management personnel remuneration included within employee expenses for the year is shown below:

	2015 MYR	2014 MYR
Short-term employee benefits	867,378	1,116,809

#### Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 27: Related Party Transaction.

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 24 Remuneration of Auditors

	2015 MYR	Consolidated 2014 MYR
Remuneration of the auditor of the parent entity, BDO Audit Pty Ltd for:		
Remuneration of the auditor of the parent entity. BDO Audit Pty Ltd, for auditing or reviewing the financial Statements	257,387	57,650
Remuneration of related auditors of subsidiaries for:		
- Auditing or reviewing the financial statements of subsidiaries	108,337	65,000
Total	365,724	122,650

## 25 Interests in Subsidiaries

### (a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned(%)* 2015	Percentage Owned(%)* 2014
<b>Subsidiaries:</b>			
AdvanceTC Sdn Bhd	Malaysia	100	100
Advance Tech Communications Sdn Bhd	Malaysia	87	82

The subsidiary of the Group that has non-controlling interest ("NCI") is as follow:-

<b>Advance Tech Communications Sdn Bhd</b>	2015	2014
NCI percentage of ownership interest and voting interest	12.8%	17.6%
Carrying amount of NCI	1,044,899	768,820
Profit allocated to NCI	122,060	163,514

The summarized financial information before intra-group elimination of the subsidiary that has NCI as at the end of the reporting year is as follow:

<b>Advance Tech Communications Sdn Bhd</b>	2015 MYR	2014 MYR
<b>Assets and liabilities</b>		
Non-current assets	8,459,911	14,751,675
Current assets	10,070,742	2,365,884
Current liabilities	(2,008,102)	(2,920,778)
Non-current liabilities	(8,371,034)	(9,828,485)
Net assets	8,151,517	4,368,296

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 26 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2015 (31 December 2014: None).

## 27 Related Parties

*(i) Key Management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to the Remuneration Report in the Directors' Report.

Other transactions with KMP and their related entities are shown below.

*(i) Other related parties include close family members of key management personnel, director related entities and significant shareholders.*

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

For details of subsidiaries see note 25.

### (b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Related party transactions are as follows:

Related party relationship	Type of transactions	Transaction amount		Balance owed by the Group	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>KMP related party</b>					
- Top ATC Industries Sdn. Bhd. ("Top ATC")*	Disposal of billboard rights to Top ATC	2,000,000	-	1,764,927	2,365,225
	Novation of debt to Top ATC	600,830	-		
	Loan from Top ATC	304,000	-		
	Management fees received from Top ATC	60,000	-		
	Payments made for salaries of a key management personnel on behalf by Top ATC	168,000	-		
	Payments of 50% of salaries for certain key management personnel	-	477,000		

## Notes to the Financial Statements

For the Year Ended 31 December 2015

### 27 Related Parties continued

Related party relationship	Type of transactions	Transaction amount		Balance owed by the Group	
		2015 RM	2014 RM	2015 RM	2014 RM
	Finance and assisting with Magic Zlate project	-	4,693,000		
	Payments of administrative expenses on behalf by TOP ATC	722,872	-		
<b>KMP related party</b>					
- Directors	Loans from Directors	318,500	-	85,372	194,966
	Repayments of loan	428,094	-		

\*TOP ATC is a company with common directors, being Messrs CP Loi, J Loi and GK Lee

#### (i) Loans to/from related parties

Unsecured loans are made to subsidiaries, directors, key management personnel and other related parties are on an arm's length basis. Repayment terms are set for each loan, which range from 1 to 3 years. Loans are interest free and repayable in cash.

Details of balances due to key management personnel are disclosed in the Remuneration Report.

Included in the loan balance above is a loan from TOP ATC which represents amounts owed for the purchase of Rights. TOP ATC is a related entity associated with Messrs CP Loi, J Loi and GK Lee. The balance outstanding is repayable over 4 years and interest free

### 28 Cash Flow Information

#### (a) Non-cash financing and investing activities

	2015 MYR	Consolidated 2014 MYR
Purchase of Billboard Rights, offset against revenue	-	6,640,896
Creditors settled in shares	-	2,342,655
Sales of billboard rights	(2,000,000)	-

### 29 Events occurring after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operation of the Group, the results of those operations, or the state of affairs of the Group in future financial years. Currently a number of funding options are being explored and are expected to provide the necessary working capital to allow the company to meet its obligations and realize its assets in the ordinary course of business.

**Notes to the Financial Statements**

For the Year Ended 31 December 2015

**30 Parent entity**

The following information has been extracted from the books and records of the parent, AdvanceTC Limited and has been prepared in accordance with Australian Accounting Standards.

The financial information for the parent entity, Advance TC Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

*Investments in subsidiaries, associates and joint ventures*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>MYR</b>	<b>MYR</b>
Statement of Financial Position		
<b>Assets</b>		
Non-current assets	12,701,788	8,559,109
Total Assets	<u>12,701,788</u>	<u>8,559,109</u>
<b>Liabilities</b>		
Current liabilities	(245,520)	(21,600)
Total Liabilities	<u>(245,520)</u>	<u>(21,600)</u>
<b>Equity</b>		
Issue capital	14,164,707	8,967,041
Retained earnings	(1,708,437)	(429,538)
Total Equity	<u>12,456,270</u>	<u>8,537,503</u>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total profit or loss for the year	(1,278,899)	(429,538)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<u>(1,278,899)</u>	<u>(429,538)</u>

(a) The parent company has no commitments as at 31 December 2015

(b) The parent company has no contingencies as at 31 December 2015

(c) The parent company has not provided any guarantees to its subsidiaries as at 31 December 2015.

**31 Company details**

The registered office of the Company is:

AdvanceTC Limited  
Level 12, Grosvenor Place  
225 George Street  
SYDNEY NSW 2000  
Australia

**AdvanceTC Limited**

ACN 600 238 444

**Notes to the Financial Statements**

For the Year Ended 31 December 2015

**32 Company details continued**

The principal place of business is:

Level 12, Grosvenor Place

225 George Street

SYDNEY NSW 2000

Australia

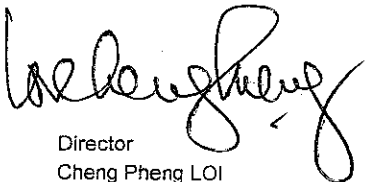


## Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes for the year ended 31 December 2015 are in accordance with the Corporations Act 2001 and:
  - a. comply with Australia Accounting Standard, which, as stated in note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS), and
  - b. give a true and fair view of the financial position and performance of the consolidated group;
2. The Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that
  - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001.
  - b. the financial statements and notes for the financial year comply with the Australian Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view.
3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.



Director  
Cheng Pheng LOI

Dated

**31 MAR 2016**

## INDEPENDENT AUDITOR'S REPORT

To the members of AdvanceTC Limited

### Report on the Financial Report

We have audited the accompanying financial report of AdvanceTC Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives 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 control. 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 report.

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

## Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of AdvanceTC Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## Opinion

In our opinion:

- (a) the financial report of AdvanceTC Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Emphasis of matter - going concern

Without modifying our opinion, we draw attention to Note 2(t) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon a number of factors which include:

1. The raising of additional capital or securing other forms of financing to meet the levels of expenditure require for the continued development of the next generation of integrated mobile communication devices , and to meet the Company's working capital requirements;
2. The timely collection of trade receivables ;
3. A reduction in working capital expenditure;
4. The Disposal of non-core assets; and
5. Successful sales of the company products and proprietary community software.

These conditions, along with other matters as set out in Note 2(t), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets, in particular intangible assets of MYR 8,414,018 and the discharge its liabilities in the normal course of business.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 14 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



## Opinion

In our opinion, the Remuneration Report of AdvanceTC Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit Pty Ltd**

A handwritten signature in black ink, appearing to read 'Damian Wright'. Above the signature, the letters 'BDO' are printed in a small, black, sans-serif font.

**Damian Wright**  
**Director**

Brisbane, 31 March 2016

## AdvanceTC Limited

ACN 600 238 444

## Additional Information for Listed Public Companies

31 December 2015

### NSX Additional Information

Additional information required by the NSX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 31 December 2015.

### Substantial shareholders

The substantial shareholders are set out below:

Shareholders	%
ChengPheng LOI	22.9
Jonathan YeowKoon LOI	22.2
Keng Yaw CHEW	14.5

### Voting rights

#### Ordinary Shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

#### Options

No voting rights.

### Distribution of holders of quoted ordinary share

Range	Holders	Units	Percentage
1 -1,000	35	31,044	0.01%
1,001 -5,000	31	106,814	0.03%
5,001 -10,000	18	151,000	0.04%
10,001-100,000	39	1,920,936	0.56%
100,001 and over	62	343,155,388	99.36%
	<b>185</b>	<b>345,365,182</b>	<b>100.00%</b>

**AdvanceTC Limited**

ACN 600 238 444

**Additional Information for Listed Public Companies**

31 December 2015

	Ordinary shares	% of issued
	Number held	shares
LOI CHENG PHENG	79,040,000	22.9%
JONATHAN LOI YEOW KOON	76,349,840	22.1%
CHEW KENG YAW	49,682,475	14.4%
YONG LOONG CHEN	16,400,000	4.7%
LEONG SWEET NGOR	11,233,631	3.3%
LEONG SUET LAI	7,844,450	2.3%
LEONG SUET CHIN	7,500,000	2.2%
SOON WAN CHING	6,252,000	1.8%
TEO KAR LENG	6,135,235	1.8%
CHANG TIAM HOCK	5,641,550	1.6%
YEONG KOK WAH	4,900,000	1.4%
WONG SIEW YIN	4,100,000	1.2%
KHAMSHAH & PARTNERS	4,041,558	1.2%
NG GUAT CHOO	3,800,000	1.1%
LEE GIM KEONG	3,280,000	0.9%
CHO CHEE TUCK	2,955,960	0.9%
OOI CHEE WEY	2,732,475	0.8%
KENG YAW CHEW	2,715,975	0.8%
HAU MUN MENG	2,700,000	0.8%
YAP BENG LEE	2,630,000	0.8%
Total number of securities	299,935,149	86.8%

**Unissued equity securities**

There are no unissued equity securities

**Securities exchange**

The Company is listed on the National Stock Exchange of Australia