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mTouche Technology Berhad
(Incorporated in Malaysia)

Contents

mTouche Technology Berhad
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Directors' report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

Principal activities

The principal activities of the Company are investment holding, research and development of existing and new technologies in the field of information technology and telecommunications and related activities.

The principal activities of the subsidiaries are shown in Note 15 to the financial statements.

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

Results

	Group RM	Company RM
(Loss)/profit, net of tax	(83,573)	277,068
Profit/(loss) attributable to:		
Owners of the parent	107,382	277,068
Non-controlling interests	(190,955)	-
	(83,573)	277,068

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

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Dividend

The amount of dividend paid by the Company since 31 December 2012 was as follows:

	RM
In respect of the financial year ended 31 December 2012 as reported in the directors' report of the year:	
Interim tax exempt dividend of 1% on 221,773,100 ordinary shares, declared on 22 March 2013 and paid on 22 April 2013	2,217,731

The directors do not recommend any payment of final dividend in respect of the financial year ended 31 December 2013.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Yee Chee Wai	
Y.M. Raja Hizad Bin Raja Kamarulzaman	
Dato' Ahmad Bahrin Bin Idrus	
Yeap Teik Pung	
Pua Soo Jyue	(resigned on 11 June 2013)
Dato' Kong Hien Nigh	(resigned on 6 November 2013)

Directors' benefits

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and warrants in the Company and its related corporations during the financial year were as follows:

	I-----------Number of ordinary shares of RM0.10 each--------|			
Name of directors	**1.1.2013**	**Acquired**	**Sold**	**31.12.2013**
Indirect Interest:				
Ordinary shares of the Company				
Y.M. Raja Hizad Bin Raja Kamarulzaman	65,865,000	240,000	(1,817,400)	64,287,600

Y.M. Raja Hizad Bin Raja Kamarulzaman by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Warrants and issue of shares

As at the end of the year, the entire Warrants 2010/2020 and Warrants 2008/2018 outstanding of 49,012,000 and 67,959,945 respectively, remained unexercised. Please refer to Note 23(a) to the financial statements for further details.

Treasury shares

During the financial year, the Company repurchased 6,255,400 of its issued ordinary shares from the open market at an average price of RM0.25 per share. The total consideration paid for the repurchase including transaction costs was RM1,534,406. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

At 31 December 2013, the Company held as treasury shares a total of 13,763,500 of its 231,541,100 issued ordinary shares. Such treasury shares are held at a carrying amount of RM4,652,977 and further details are disclosed in Note 22(b) to the financial statements.

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Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

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

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) As at the date of this report, there does not exist:

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

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

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Other statutory information (contd.)

(f) In the opinion of the directors:

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Subsequent events

Details of subsequent events are disclosed in Note 32 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 April 2014.

Y.M. Raja Hizad Bin Raja Kamarulzaman

Yeap Teik Pung

mTouche Technology Berhad
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Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Y.M. Raja Hizad Bin Raja Kamarulzaman and Yeap Teik Pung, being two of the directors of mTouche Technology Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 99 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

The information set out in Note 34 on page 100 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 April 2014.

Y.M. Raja Hizad Bin Raja Kamarulzaman

Yeap Teik Pung

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Aaron Loke Khy-Min, being the officer primarily responsible for the financial management of mTouche Technology Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 99 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the *Statutory Declarations Act, 1960*.

Subscribed and solemnly declared by the abovenamed Aaron Loke Khy-Min at Kuala Lumpur in the Federal Territory on 29 April 2014

Aaron Loke Khy-Min

Before me,

PESURUHJAYA SUMPAH
No: W 626
Nama: HAJJAH JAMILAH ISMAIL
MALAYSIA

Lot 5.30, Tingkat 5
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Independent auditors' report to the members of mTouche Technology Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of mTouche Technology Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 99.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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Independent auditors' report to the members of mTouche Technology Berhad (contd.) (Incorporated in Malaysia)

Report on the financial statements (contd.)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 ("Act") in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' report on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

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Independent auditors' report to the members of mTouche Technology Berhad (contd.)
(Incorporated in Malaysia)

Other reporting responsibilities

The supplementary information set out in Note 34 on page 100 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Teoh Soo Hock
No. 2477/10/15(J)
Chartered Accountant

Kuala Lumpur, Malaysia
29 April 2014

mTouche Technology Berhad
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Statements of comprehensive income
For the financial year ended 31 December 2013

	Note	Group 2013 RM	Group 2012 RM (restated)	Company 2013 RM	Company 2012 RM
Revenue	4	28,337,572	36,888,891	5,169,220	7,090,614
Cost of sales	5	(16,214,148)	(19,996,889)	-	(8,181)
Gross profit		12,123,424	16,892,002	5,169,220	7,082,433
Other income	6	293,179	542,188	25,414	55,140
Other items of expense					
Administrative expenses		(9,884,892)	(9,232,891)	(3,783,522)	(3,623,743)
Finance costs	7	(3,684)	(3,684)	(3,684)	(3,684)
Other expenses		(1,761,792)	(2,103,901)	(599,842)	(467,347)
Profit before tax	8	766,235	6,093,714	807,586	3,042,799
Income tax expense	11	(849,808)	(1,711,537)	(530,518)	(959,850)
(Loss)/profit, net of tax		(83,573)	4,382,177	277,068	2,082,949
Other comprehensive (loss)/ gain:					
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		(691,526)	(527,886)	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Actuarial gains on defined benefit obligations	21	38,967	69,109	-	-
Income tax effect		(9,742)	(17,277)	-	-
		29,225	51,832	-	-
Other comprehensive loss for the year, net of tax		(662,301)	(476,054)	-	-
Total comprehensive (loss)/ income for the year		(745,874)	3,906,123	277,068	2,082,949

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Statements of comprehensive income
For the financial year ended 31 December 2013 (contd.)

	Note	Group 2013 RM	Group 2012 RM (restated)	Company 2013 RM	Company 2012 RM
Profit/(loss), net of tax attributable to:					
Owners of the parent		107,382	4,244,869	277,068	2,082,949
Non-controlling interests		(190,955)	137,308	-	-
		(83,573)	4,382,177	277,068	2,082,949
Total comprehensive (loss)/ income attributable to:					
Owners of the parent		(568,570)	3,781,823	277,068	2,082,949
Non-controlling interests		(177,304)	124,300	-	-
		(745,874)	3,906,123	277,068	2,082,949
Basic/diluted earnings per share attributable to owners of the parent (sen per share)	12	0.05	1.87		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

mTouche Technology Berhad
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Statements of financial position
As at 31 December 2013

	Note	Group 2013 RM	Group 2012 RM (restated)	Company 2013 RM	Company 2012 RM
Assets					
Non-current assets					
Property, plant and equipment	13	790,478	579,226	69,892	106,986
Intangible assets	14	849,463	287,740	854,215	-
Investment in subsidiaries	15	-	-	9,061,673	9,061,610
Deferred tax assets	16	805,253	807,529	-	-
Other receivables	17	-	-	576,392	576,392
		2,445,194	1,674,495	10,562,172	9,744,988
Current assets					
Inventories		1,385	-	-	-
Tax recoverable		181,501	547,413	-	-
Trade and other receivables	17	7,598,499	10,314,587	40,466,210	31,376,698
Prepayments		296,479	335,533	53,696	16,148
Cash and bank balances	18	16,927,088	21,154,561	276,975	2,300,432
		25,004,952	32,352,094	40,796,881	33,693,278
Total assets		27,450,146	34,026,589	51,359,053	43,438,266

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Statements of financial position
As at 31 December 2013 (contd.)

		Group		Company	
	Note	**2013 RM**	**2012 RM (restated)**	**2013 RM**	**2012 RM**
Equity and liabilities					
Current liabilities					
Income tax payable		574,693	1,085,031	510,764	959,850
Borrowings	19	27,804	27,804	27,804	27,804
Trade and other payables	20	8,381,276	9,681,202	13,115,799	1,243,053
		8,983,773	10,794,037	13,654,367	2,230,707
Net current assets		16,021,179	21,558,057	27,142,514	31,462,571
Non-current liabilities					
Deferred tax liabilities	16	121,923	140,274	-	-
Borrowings	19	27,784	55,588	27,784	55,588
Defined benefit obligations	21	140,286	155,423	-	-
		289,993	351,285	27,784	55,588
Total liabilities		9,273,766	11,145,322	13,682,151	2,286,295
Net assets		18,176,380	22,881,267	37,676,902	41,151,971
Equity attributable to owners of the parent					
Share capital	22	23,154,110	23,154,110	23,154,110	23,154,110
Share premium	22	4,864,158	4,864,158	4,864,158	4,864,158
Treasury shares	22	(4,652,977)	(3,118,571)	(4,652,977)	(3,118,571)
(Accumulated losses)/ retained earnings	24	(17,728,791)	(15,647,667)	671,647	2,612,310
Other reserves	23	12,363,298	13,068,963	13,639,964	13,639,964
		17,999,798	22,320,993	37,676,902	41,151,971
Non-controlling interests		176,582	560,274	-	-
Total equity		18,176,380	22,881,267	37,676,902	41,151,971
Total equity and liabilities		27,450,146	34,026,589	51,359,053	43,438,266

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Consolidated statement of changes in equity
For the financial year ended 31 December 2013

		Attributable to owners of the parent										
			Non-distributable					Non-distributable				
	Equity, total	Equity attributable to owners of the parent, total	Share capital (Note 22)	Share premium (Note 22)	Treasury shares (Note 22)	Accumulated losses	Other reserves, total	Warrant reserve (Note 23)	Capital redemption reserve (Note 23)	Foreign currency translation reserve (Note 23)	Other capital reserves (Note 23)	Non-controlling interests
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group												
At 1 January 2013	22,881,267	22,320,993	23,154,110	4,864,158	(3,118,571)	(15,647,667)	13,068,963	9,445,274	4,194,690	(571,001)	-	560,274
Total comprehensive (loss)/income	(745,874)	(568,570)	-	-	-	136,607	(705,177)	-	-	(705,177)	-	(177,304)
Transactions with owners												
Purchase of treasury shares	(1,534,406)	(1,534,406)	-	-	(1,534,406)	-	-	-	-	-	-	-
Arising from increase in equity interest in subsidiary company	(488)	(488)	-	-	-	-	(488)	-	-	-	(488)	-
Dividend on ordinary shares	(2,217,731)	(2,217,731)	-	-	-	(2,217,731)	-	-	-	-	-	-
Dividends paid to non-controlling interest	(206,388)	-	-	-	-	-	-	-	-	-	-	(206,388)
Total transactions with owners	(3,959,013)	(3,752,625)	-	-	(1,534,406)	(2,217,731)	(488)	-	-	-	(488)	(206,388)
At 31 December 2013	18,176,380	17,999,798	23,154,110	4,864,158	(4,652,977)	(17,728,791)	12,363,298	9,445,274	4,194,690	(1,276,178)	(488)	176,582

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

mTouche Technology Berhad
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Consolidated statement of changes in equity
For the financial year ended 31 December 2013 (contd.)

		Attributable to owners of the parent										
			Non-distributable					Non-distributable				
	Equity, total RM	Equity attributable to owners of the parent, total RM	Share capital (Note 22) RM	Share premium (Note 22) RM	Treasury shares (Note 22) RM	Accumulated losses RM	Other reserves, total RM	Warrant reserve (Note 23) RM	Capital redemption reserve (Note 23) RM	Foreign currency translation reserve (Note 23) RM	Other capital reserves (Note 23) RM	Non-controlling interests RM
Group												
At 1 January 2012	20,796,329	20,360,355	22,730,310	3,969,232	(153,126)	(19,944,368)	13,758,307	9,619,740	4,194,690	(56,123)	-	435,974
Total comprehensive income	3,906,123	3,781,823	-	-	-	4,296,701	(514,878)	-	-	(514,878)	-	124,300
Transactions with owners												
Purchase of treasury shares	(2,965,445)	(2,965,445)	-	-	(2,965,445)	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to exercise of warrants	1,144,260	1,144,260	423,800	894,926	-	-	(174,466)	(174,466)	-	-	-	-
Total transactions with owners	(1,821,185)	(1,821,185)	423,800	894,926	(2,965,445)	-	(174,466)	(174,466)	-	-	-	-
At 31 December 2012	22,881,267	22,320,993	23,154,110	4,864,158	(3,118,571)	(15,647,667)	13,068,963	9,445,274	4,194,690	(571,001)	-	560,274

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

mTouche Technology Berhad
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Statement of changes in equity
For the financial year ended 31 December 2013

		I------------- Non-distributable ------------I			Distributable	I-------------- Non-distributable -------------I		
	Equity, total RM	Share capital (Note 22) RM	Share premium (Note 22) RM	Treasury shares (Note 22) RM	Retained earnings RM	Other reserves, total RM	Warrant reserve (Note 23) RM	Capital redemption reserve (Note 23) RM
Company								
At 1 January 2013	41,151,971	23,154,110	4,864,158	(3,118,571)	2,612,310	13,639,964	9,445,274	4,194,690
Total comprehensive income	277,068	-	-	-	277,068	-	-	-
Transactions with owners								
Purchase of treasury shares	(1,534,406)	-	-	(1,534,406)	-	-	-	-
Dividends on ordinary shares	(2,217,731)	-	-	-	(2,217,731)	-	-	-
Total transactions with owners	(3,752,137)	-	-	(1,534,406)	(2,217,731)	-	-	-
At 31 December 2013	37,676,902	23,154,110	4,864,158	(4,652,977)	671,647	13,639,964	9,445,274	4,194,690

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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mTouche Technology Berhad
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Statement of changes in equity
For the financial year ended 31 December 2013 (contd.)

		I------------- Non-distributable	------------	------------I	Distributable	I-------------- Non-distributable	-------------	-------------I
	Equity, total	**Share capital (Note 22)**	**Share premium (Note 22)**	**Treasury shares (Note 22)**	**Retained earnings**	**Other reserves, total**	**Warrant reserve (Note 23)**	**Capital redemption reserve (Note 23)**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Company								
At 1 January 2012	40,890,207	22,730,310	3,969,232	(153,126)	529,361	13,814,430	9,619,740	4,194,690
Total comprehensive income	2,082,949	-	-	-	2,082,949	-	-	-
Transactions with owners								
Purchase of treasury shares	(2,965,445)	-	-	(2,965,445)	-	-	-	-
Issuance of ordinary shares pursuant to exercise of warrants	1,144,260	423,800	894,926	-	-	(174,466)	(174,466)	-
Total transactions with owners	(1,821,185)	423,800	894,926	(2,965,445)	-	(174,466)	(174,466)	-
At 31 December 2012	41,151,971	23,154,110	4,864,158	(3,118,571)	2,612,310	13,639,964	9,445,274	4,194,690

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Consolidated statement of cash flows
For the financial year ended 31 December 2013

	2013 RM	2012 RM (restated)
Operating activities		
Profit before tax	766,235	6,093,714
Adjustments for:		
Interest income	(280,270)	(523,530)
Interest expenses	3,684	3,684
Amortisation of intangible assets	68,137	181,550
Depreciation of property, plant and equipment	336,132	304,895
Impairment losses on intangible assets	232,819	-
Gain on disposal on property, plant and equipment	(10,158)	-
Property, plant and equipment written off	29,852	6,374
Intangible assets written off	2,226	-
Defined benefits obligation	41,588	74,560
Allowance for impairment losses on financial assets	2,811	14,752
Short term accumulating compensated absences	46,573	77,703
Unrealised foreign exchange (gains)/losses	(959,167)	95,589
Total adjustments	(485,773)	235,577
Operating cash flows before changes in working capital	280,462	6,329,291
Changes in working capital		
Decrease/(increase) in trade and other receivables and prepayments	2,719,352	(1,415,236)
Increase in inventories	(1,385)	-
Decrease in trade and other payables	(387,332)	(1,860,093)
Total changes in working capital	2,330,635	(3,275,329)
Cash flows generated from operations	2,611,097	3,053,962
Interest received	313,249	482,332
Interest paid	(3,684)	(3,684)
Income taxes paid	(1,027,808)	(765,688)
Defined benefits paid	-	(44,004)
Net cash flows generated from operating activities	1,892,854	2,722,918

mTouche Technology Berhad
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Consolidated statement of cash flows
For the financial year ended 31 December 2013 (contd.)

	2013 RM	2012 RM (restated)
Investing activities		
Purchase of property, plant and equipment	(584,326)	(295,258)
Purchase of intangible assets	-	(4,360)
Development costs	(849,463)	-
Proceeds from disposal of property, plant and equipment	17,215	-
Changes in the Group's equity interest in subsidiary companies	(488)	-
Net cash flows used in investing activities	(1,417,062)	(299,618)
Financing activities		
Purchase of treasury shares	(1,534,406)	(2,965,445)
Exercise of warrant	-	1,144,260
Repayment of obligations under finance lease	(27,804)	(27,804)
Dividends paid to shareholders of the Company	(2,217,731)	-
Dividends paid to non-controlling interests of subsidiary companies	(206,388)	-
Net cash flows used in financing activities	(3,986,329)	(1,848,989)
Net (decrease)/increase in cash and cash equivalents	(3,510,537)	574,311
Effect of exchange rate changes on cash and cash equivalents	(716,936)	(522,486)
Cash and cash equivalents at 1 January	21,154,561	21,102,736
Cash and cash equivalents at 31 December (Note 18)	16,927,088	21,154,561

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

mTouche Technology Berhad
(Incorporated in Malaysia)

Company statement of cash flows
For the financial year ended 31 December 2013

	2013 RM	2012 RM
Operating activities		
Profit before tax	807,586	3,042,799
Adjustments for:		
Interest income	(25,414)	(55,140)
Interest expenses	3,684	3,684
Depreciation of property, plant and equipment	37,094	37,540
Allowance for impairment losses on financial assets	48,259	25,021
Unrealised foreign exchange loss	41,765	-
Short term accumulating compensated absences	24,444	53,649
Total adjustments	129,832	64,754
Operating cash flows before changes in working capital	937,418	3,107,553
Changes in working capital		
Increase in trade and other receivables	(10,029,534)	(388,642)
Increase in trade and other receivables	11,806,537	32,820
Total changes in working capital	1,777,003	(355,822)
Cash flows generated from operations	2,714,421	2,751,731
Interest received	25,414	55,140
Interests paid	(3,684)	(3,684)
Income taxes paid	(979,604)	-
Net cash flows generated from operating activities	1,756,547	2,803,187
Investing activities		
Acquisition of non-controlling interest, representing net cash flows used in investing activities	(63)	-

mTouche Technology Berhad
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Company statement of cash flows
For the financial year ended 31 December 2013 (contd.)

	2013 RM	2012 RM
Financing activities		
Purchase of treasury shares	(1,534,406)	(2,965,445)
Proceeds from issuance of new shares	-	1,144,260
Repayment of obligations under finance lease	(27,804)	(27,804)
Dividends paid	(2,217,731)	-
Net cash flows used in financing activities	(3,779,941)	(1,848,989)
Net (decrease)/increase in cash and cash equivalents	(2,023,457)	954,198
Cash and cash equivalents at 1 January	2,300,432	1,346,234
Cash and cash equivalents at 31 December (Note 18)	276,975	2,300,432

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

mTouche Technology Berhad
(Incorporated in Malaysia)

Notes to the financial statements - 31 December 2013

1. Corporate information

mTouche Technology Berhad ("the Company") is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the ACE market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur.

The principal place of business of the Company is located at Suite 39-06, Menara Citibank 165, Jalan Ampang, 50450 Kuala Lumpur.

The principal activities of the Company are investment holding, research and development of existing and new technologies in the field of information technology and telecommunications and related activities.

The principal activities of the subsidiaries are shown in Note 15.

Related companies refer to companies within the mTouche Technology Berhad group.

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

The financial statements for the financial year ended 31 December 2013 were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 April 2014.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by Malaysian Accounting Standards Board, International Financial Reporting Standards as issued by the International Accounting Standards Board, and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 Business Combinations (IFRS 3 Business Combination issued by IASB in March 2014)	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11: Joint Arrangements	1 January 2013
MFRS 12: Disclosure of Interests in Other Entities	1 January 2013
MFRS 13: Fair Value Measurement	1 January 2013
MFRS 119: Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127: Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 1: Government loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

MFRS 12 Disclosure of Interest in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and have no impact on the Group's and the Company's financial position or performance.

MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materiality impacted the fair value measurement of the Group and of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments of MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (e.g. net loss and gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (e.g. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's and the Company's financial position or performance.

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)

The Group applied MFRS 119 (revised) retrospectively in the current period in accordance with the transitional provisions set out in the revised standards. There was no impact to the opening statement of financial position of the earliest comparative period presented, 1 January 2012 and as such, only the comparative figures for the year ended 31 December 2012 have been accordingly restated.

MFRS 119 (revised) changes, amongst other things, the accounting for defined benefit plans. Some of the key changes that impacted the Group include the following:

- All past service costs are recognised at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognised. As a result, unvested past service costs can no longer be deferred and recognised over the future vesting period. Previously, the Group had a balance of unrecognised service cost of RM66,589 (RM49,942 net of tax) as at 31 December 2012. Upon transition to MFRS 119 (revised), this balance was taken to equity (accumulated losses) as at 31 December 2012 along with the consequential tax impact.

- The interest cost and expected return on plan assets used in the previous version of MFRS 119 were replaced with a net-interest amount under MFRS 119 (revised), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. This has no consequential impact to the Group's profit or loss and equity.

MFRS 119 (revised) also requires more extensive disclosures. These have been provided in Note 21.

MFRS 119 (revised) has been applied retrospectively, with the following permitted exceptions:

- The carrying amounts of other assets have not been adjusted for changes in employee benefit costs that were included before 1 January 2012.

- Sensitivity disclosures for the defined benefit obligation for comparative period (financial year ended 31 December 2012) have not been provided.

The effect of applying the above MFRS 119 (revised) on the Group's financial statements is provided in Note 2.2(a) below.

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

(a) Impact arising from the adoption of MFRS 119: Employee Benefits (revised)

Consolidated statement of financial position as at 31 December 2012

	As previously reported RM	MFRS 119 adjustments RM	As restated RM
Non-current liability			
Deferred tax liabilities	123,627	16,647	140,274
Defined benefit obligations	222,012*	(66,589)	155,423
Total liabilities	11,195,264	(49,942)	11,145,322
Net assets	22,831,325	49,942	22,881,267
Equity attributable to the owners of the parent			
Accumulated losses	(15,699,499)	51,832	(15,647,667)
Other reserves	13,070,853	(1,890)	13,068,963
Total equity	22,831,325	49,942	22,881,267

* after reclassification as disclosed in Note 33.

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Notes to the financial statements - 31 December 2013

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

(a) Impact arising from the adoption of MFRS 119: Employee Benefits (revised) (contd.)

Consolidated statement of comprehensive income

	As previously reported RM	**MFRS 119 adjustments RM**	**As restated RM**
Other comprehensive gain/ (loss):			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation	(525,996)	(1,890)	(527,886)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains on defined benefit obligations	-	69,109	69,109
Income tax effect	-	(17,277)	(17,277)
	-	51,832	51,832
Other comprehensive loss for the year, net of tax	(525,996)	49,942	(476,054)
Total comprehensive income for the year	3,856,181	49,942	3,906,123
Total comprehensive income attributable to:			
Owners of the parent	3,731,881	49,942	3,781,823

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9: Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9: Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group’s and the Company's financial assets, but will not have an impact on classification and measurements of the Group’s and the Company's financial liabilities. The Group is in the process of making assessment of the impact of the adoption of MFRS 9.

2.4 Basis of consolidation

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

The Group controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

When the Group has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2. Summary of significant accounting policies (contd.)

2.5 Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.9(a).

2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Group, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Group.

2. Summary of significant accounting policies (contd.)

2.7 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. Summary of significant accounting policies (contd.)

2.7 Foreign currency (contd.)

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, at the following annual rates:

- Computers	33%
- Furniture and fittings	20%
- Office equipment	33%
- Renovations	20%
- Motor vehicles	20%

2. Summary of significant accounting policies (contd.)

2.8 Property, plant and equipment (contd.)

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

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

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

2.9 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still result in an excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Following initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2. Summary of significant accounting policies (contd.)

2.9 Intangible assets (contd.)

(a) Goodwill (contd.)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the disposed operations and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.7(b).

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

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

2. Summary of significant accounting policies (contd.)

2.9 Intangible assets (contd.)

(b) Other intangible assets (contd.)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired, either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) Intellectual property

Intellectual property comprises telecommunication software and television programme rights acquired and is considered to have a finite useful life due to the technological risks and advancement inherent in the industry. Intellectual property of the Group is amortised on a straight line basis over its estimated useful lives ranging between 2 and 10 years.

(ii) Software licenses

The Group has developed the following criteria to identify computer software license to be classified as plant and equipment or intangible asset:

- software license that is embedded in computer-controlled equipment, including operating system that cannot operate without that specific software is an integral part of the related hardware and is treated as plant and equipment;

- application software that is being used on a computer that is generally easily replaced and is not an integral part of the related hardware is classified as intangible asset.

Due to the risk of technological changes, the useful lives of all software licenses are generally assessed to be finite. Software licenses that are classified as intangible assets are amortised on a straight-line basis over its estimated economic useful lives, ranging between 3 and 5 years.

2. Summary of significant accounting policies (contd.)

2.9 Intangible assets (contd.)

(b) Other intangible assets (contd.)

(iii) Research and development costs

All research costs are recognised in the profit or loss as incurred.

Development expenditures incurred on projects to develop new products are capitalised and recognised as intangible assets when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project, the ability to measure reliably the expenditure during the development and the ability to use the intangible asset generated. Development expenditures which do not meet these criteria are expensed when incurred.

Development expenditures are considered to have finite useful lives and are stated at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit, computed on a straight-line basis over the useful economic lives of the underlying products ranging between 5 and 10 years.

During the period of development, the asset is tested for impairment annually.

2.10 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

2. Summary of significant accounting policies (contd.)

2.10 Impairment of non-financial assets (contd.)

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in subsequent periods.

2.11 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Summary of significant accounting policies (contd.)

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Financial assets

Financial assets, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition and the category include loan and receivables.

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

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

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2. Summary of significant accounting policies (contd.)

2.14 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group’s and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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

2. Summary of significant accounting policies (contd.)

2.14 Impairment of financial assets (contd.)

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents include bank overdrafts as they are considered an integral part of the Group’s and the Company's cash management.

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision is presented in the income statement net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (contd.)

2.17 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

The Group’s and the Company's financial liabilities include trade and other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

2.18 Borrowing costs

Borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company have incurred in connection with the borrowing of funds.

2. Summary of significant accounting policies (contd.)

2.19 Employee benefits

(a) Short term benefits

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

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to Employee Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Certain foreign subsidiaries also make contributions to its country's statutory pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Defined benefit plans

The Group has defined benefit pension plans arising from two of its subsidiaries, mTouche (Thailand) Company Limited and PT mTouche (Indonesia) respectively. These plans are unfunded.

The costs of providing benefits under the defined benefit plans are calculated using the projected unit credit actuarial valuation method and determined based on actuarial computations by independent actuaries, through which the amount of benefits that employees have earned in return for their services in the current and prior years are estimated. That benefit is discounted in order to determine its present value. Remeasurements, comprising of actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding entry to retained earnings through other comprehensive income in the period in which they occur. These remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Group recognises restructuring-related costs or termination benefits.

2. Summary of significant accounting policies (contd.)

2.18 Employee benefits (contd.)

(c) Defined benefit plans (contd.)

Net interest is calculated by applying the discount rate to the net defined benefit liability the beginning of the reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The Group recognises the changes in the net defined benefit obligation under 'administrative expense' in the consolidated income statements.

2.20 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

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

2. Summary of significant accounting policies (contd.)

2.21 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable.

(a) Rendering of services

Revenue is recognised net of service taxes and discounts when the services are rendered.

(b) Management and licensing fees

Management and licensing fees are recognised on an accrual basis.

(c) Interest income

Interest income is recognised on an accrual basis using the effective interest method unless recoverability is in doubt, in which case, it is recognised on receipt basis.

(d) Sale of goods

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

(e) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.22 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

2. Summary of significant accounting policies (contd.)

2.22 Income taxes (contd.)

(a) Current tax (contd.)

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from 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 the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (contd.)

2.22 Income taxes (contd.)

(b) Deferred tax (contd.)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

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

2. Summary of significant accounting policies (contd.)

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on geographical location of its customers and assets as well as maturity of markets which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.25 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.26 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Capitalisation and amortisation of intangible assets

Intangible assets are capitalised in accordance with the accounting policy in Note 2.9. Initial capitalisation of costs is based on management's judgement that it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of useful live. At 31 December 2013, the carrying amounts of intangible assets of the Group and Company are RM849,463 (2012: RM287,740) and RM854,215 (2012: RMnil) respectively.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of respective components. The Group and the Company review the amortisation periods and useful lives at least once a year for intangible assets with finite lives. However, if there are indications that the intangible assets are unable to generate future cash flow, immediate impairment loss would be recognised in profit or loss. Further details are disclosed in Note 14.

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainties at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

At reporting date, the management determines whether the carrying values of its non-financial assets are impaired. This involves measuring the recoverable amounts using the 5 years-discounted cash flow ("DCF") analysis taking into consideration the past trends and the more recent performances achieved by the cash generating unit (“CGU”). Where the investment is quoted, its market value is also a basis of measurement considered by management.

The discount rate applied to the DCF analysis is 10% (2012: 8%) which is in line with the average pre-tax weighted average cost of capital ("WACC") of the Group. The cash flows for the following financial year reflect the recent performance of the respective CGU whilst growth rates for projection of cash flows beyond the following year range between 3% and 5% (2012: 3% and 5%) reflecting its market experience. Long term growth rate applied to the DCF is 3% (2012: 5%).

Following the above assessment, the Group recognised impairment losses of RM232,819 (2012: RMnil) and RM4,604,489 (2012: RM4,604,489) on intangible assets and investment in subsidiaries respectively as further disclosed in Notes 14 and 15. The carrying amounts of intangible assets and investment in subsidiaries have been disclosed in the respective notes. Based on management's review, no further adjustment for impairment is required for the non-financial assets of the Group and Company during the current financial year.

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainties (contd.)

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowance and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowance and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As at 31 December 2013, the unrecognised tax losses, capital allowances and other deductible temporary differences of the Group amounted to RM29,767,673 (2012: RM31,257,979). Further details are disclosed in Note 16.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

(c) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Following this assessment, the Group and the Company recognised impairment losses of RM26,012 (2012: RM38,986) and RM20,579,554 (2012: RM20,531,295) respectively on trade and other receivables. The carrying amounts of the Group's and the Company's loans and receivables at the reporting date are disclosed in Note 17. Based on management's review, no further allowance is required for the Group and the Company during the financial year.

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainties (contd.)

(d) Defined benefit plans

The cost of the defined benefit pension plans and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions about the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, the Group's defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rates, management considers the interest rates of high quality corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected terms of the defined benefit obligations. In countries where there are no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds were used.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

The net employee liability as at 31 December 2013 is RM140,286 (2012: RM155,423). Further details about the assumptions used are disclosed in Note 21.

(e) Development expenditure

Development expenditures are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management’s judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 December 2013, the carrying amount of capitalised development expenditure of the Group and of the Company was RM849,463 (2012: RMnil) and RM854,215 (2012: RMnil) respectively. Further details are disclosed in Note 14.

This amount includes significant investment in the development of a software application. Prior to being launched, it will need to be tested by the management to ensure that the software application can support the high amount of subscribers. The innovative nature of the product gives rise to some uncertainty as to whether the software application will be well received by the public.

4. Revenue

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Rendering of services	28,337,572	36,888,891	-	-
Licensing fees from subsidiaries	-	-	2,937,179	4,706,754
Management fees from subsidiaries	-	-	794,516	1,385,359
Dividend income from a subsidiary	-	-	1,437,525	998,501
	28,337,572	36,888,891	5,169,220	7,090,614

5. Cost of sales

Cost of sales represents cost of services provided.

6. Other income

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Interest income on placement of deposits	280,270	523,530	25,414	55,140
Gain on disposal of property, plant and equipment	10,158	-	-	-
Miscellaneous income	2,751	18,658	-	-
	293,179	542,188	25,414	55,140

7. Finance costs

	Group/Company 2013 RM	Group/Company 2012 RM
Interest expense on obligation under finance lease	3,684	3,684

8. Profit before tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Auditors' remuneration:				
- statutory audits				
- current year	184,680	169,414	65,000	65,000
- underprovision in prior year	-	10,440	-	10,440
- other services	102,627	109,000	81,000	109,000
Employee benefits expense (Note 9)	7,433,211	7,167,658	3,481,792	3,414,710
Non-executive directors' remuneration (Note 10)	170,500	139,083	170,500	139,083
Depreciation of property, plant and equipment (Note 13)	336,132	304,895	37,094	37,540
Amortisation of intangible assets (Note 14)	68,137	181,550	-	-
Property, plant and equipment written off	29,852	6,374	-	-
Impairment loss of intangible assets (Note 14)	232,819	-	-	-
Intangible assets written off (Note 14)	2,226	-	-	-
Impairment losses on financial assets:	2,811	14,752	48,259	25,021
- trade receivables (Note 17(a))	2,811	14,752	-	-
- other receivables (Note 17(b))	-	-	48,259	25,021
Operating lease				
- minimum lease payments for office space (Note 26(a))	1,002,726	834,857	20,970	19,223
Foreign exchange losses/(gains):				
- realised	165,656	(125,334)	(37,591)	-
- unrealised	(959,167)	95,589	41,765	-

9. Employee benefits expense

	Group		Company	
	2013 RM	2012 RM (restated)	2013 RM	2012 RM
Wages and salaries	6,304,043	6,134,599	2,953,996	2,919,382
Contributions to defined contribution plan	589,777	470,314	398,734	338,840
Social security contributions	222,988	167,905	20,582	22,682
Short term accumulating compensated absences	46,573	77,703	24,444	53,649
Increase in liability for defined benefits obligation (Note 21)	41,588	74,560	-	-
Other benefits	228,242	242,577	84,036	80,157
	7,433,211	7,167,658	3,481,792	3,414,710

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM780,135 (2012: RM854,089) and RM692,923 (2012: RM506,055) respectively as further disclosed in Note 10.

10. Directors' remuneration

The details of remuneration receivable by directors of the Group and of the Company during the financial year are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Executive directors:				
Salaries and other emoluments	731,409	778,305	635,833	458,714
Contributions to defined contribution plan	47,848	74,751	56,212	46,308
Social security contributions	878	1,033	878	1,033
Total executive directors' remuneration (Note 9)	780,135	854,089	692,923	506,055

10. Directors' remuneration (contd.)

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Non-executive directors:				
Fees, representing total non-executive directors' remuneration (Note 8)	170,500	139,083	170,500	139,083
Total directors' remuneration	950,635	993,172	863,423	645,138

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors 2013	Number of directors 2012
Executive directors:		
RM150,000 - RM200,000	-	3*
RM300,000 - RM350,000	2**	-
RM350,000 - RM400,000	-	1
Non-executive directors:		
Less than RM50,001	4	7*

* Includes 2 executive directors and 3 non-executive directors who have resigned during the prior financial year.

** Includes 2 executive directors who have resigned during the financial year.

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Notes to the financial statements - 31 December 2013

11. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Statement of comprehensive income:				
Current income tax				
- Malaysian income tax	28	16,447	-	-
- Foreign tax	874,664	1,591,014	510,764	959,850
- (Over)/underprovision in respect of previous year				
- Malaysian income tax	(15,787)	-	644	-
- Foreign tax	24,477	-	19,110	-
	883,382	1,607,461	530,518	959,850
Deferred income tax (Note 16)				
- Origination and reversal of temporary differences	(33,574)	104,076	-	-
Income tax expense recognised in profit or loss	849,808	1,711,537	530,518	959,850
Other comprehensive income ("OCI"):				
Deferred tax related to item recognised in OCI during the year:				
Net gain on actuarial gain, representing income tax charged to OCI	9,742	17,277	-	-

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11. Income tax expense (contd.)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit before tax	766,235	6,093,714	807,586	3,042,799
Tax at Malaysian statutory tax rate of 25% (2012: 25%)	191,559	1,523,429	201,897	760,700
Different tax rates in other countries	(83,292)	(245,055)	-	-
Adjustments:				
Foreign tax	510,764	959,850	510,764	959,850
Non-deductible expenses	361,771	771,411	9,046	175,959
Income not subject to tax	(220,266)	(582,042)	(210,943)	(582,040)
Utilisation of capital allowances and tax losses previously not recognised	(392,473)	(953,120)	-	(354,619)
Deferred tax assets not recognised	473,055	237,064	-	-
Underprovision of income tax in respect of previous year	8,690	-	19,754	-
Income tax expense recognised in profit or loss	849,808	1,711,537	530,518	959,850

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

The Company has been granted Multimedia Super Corridor ("MSC") status and the incentive awarded to the Company is Pioneer Status under Section 4A of the Promotion of Investments Act 1986. The Company has been granted an extension of its status for a further five years period from 3 June 2009. Accordingly, its income from MSC-qualifying services continued to be exempted from tax. The provision for income tax made by the Company are in respect of foreign withholding tax and interest income.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

11. Income tax expense (contd.)

Tax saving during the financial year arising from:

	Group 2013 RM	Group 2012 RM
Utilisation of capital allowances and tax losses previously not recognised	392,473	953,120

12. Basic/diluted earnings per share

Basic earnings per share is calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares held by the Company.

The following information reflects the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group 2013 RM	Group 2012 RM
Profit, net of tax attributable to owners of the parent used in the computation of basic earnings per share	107,382	4,244,869
Weighted average number of ordinary shares for basic earnings per share computation *	220,225,674	226,476,808
Basic earnings per share for the year (sen per share)	0.05	1.87

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the financial year.

The outstanding warrants have been excluded from the computation of fully diluted earnings per share as the exercise of warrants to ordinary shares would be antidilutive and as such, the diluted earnings per share is the same amount as the basic earnings per share. There have been no other transactions involving ordinary shares or potential dilution of ordinary shares since the reporting date and before the completion of these financial statements.

13. Property, plant and equipment

	Computers RM	Furniture and fittings RM	Office equipment RM	Renovations RM	Motor vehicles RM	Total RM
Group						
Cost						
At 1 January 2012	3,041,223	240,892	589,650	400,961	629,377	4,902,103
Additions	144,129	42,025	39,136	69,968	-	295,258
Write-offs	(68,761)	(7,527)	(5,595)	(5,729)	-	(87,612)
Exchange differences	(12,555)	(2,097)	(4,558)	(4,019)	(322)	(23,551)
At 31 December 2012 and 1 January 2013	3,104,036	273,293	618,633	461,181	629,055	5,086,198
Additions	195,875	71,670	53,907	184,906	77,968	584,326
Disposals	(74,731)	-	(31,893)	-	-	(106,624)
Write-offs	(7,946)	(907)	(57,156)	(17,838)	-	(83,847)
Exchange differences	3	(135)	1,005	(4,408)	(515)	(4,050)
At 31 December 2013	3,217,237	343,921	584,496	623,841	706,508	5,476,003

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13. Property, plant and equipment (contd.)

Group	Computers RM	Furniture and fittings RM	Office equipment RM	Renovations RM	Motor vehicles RM	Total RM
Accumulated depreciation and impairment losses						
At 1 January 2012	2,840,125	224,921	438,867	306,752	487,334	4,297,999
Depreciation charge (Note 8)	182,474	8,373	35,065	43,371	35,612	304,895
Write-offs	(68,665)	(7,674)	(4,899)	-	-	(81,238)
Exchange differences	(7,770)	(1,166)	(3,384)	(2,225)	(139)	(14,684)
At 31 December 2012 and 1 January 2013	2,946,164	224,454	465,649	347,898	522,807	4,506,972
Depreciation charge (Note 8)	168,179	21,632	40,697	68,768	36,856	336,132
Disposal	(71,052)	-	(28,515)	-	-	(99,567)
Write-offs	(5,178)	(871)	(37,951)	(9,995)	-	(53,995)
Exchange differences	(1,115)	591	321	(3,458)	(356)	(4,017)
At 31 December 2013	3,036,998	245,806	440,201	403,213	559,307	4,685,525
Net carrying amount						
At 31 December 2012	157,872	48,839	152,984	113,283	106,248	579,226
At 31 December 2013	180,239	98,115	144,295	220,628	147,201	790,478

13. Property, plant and equipment (contd.)

Company	**Computers RM**	**Furniture and fittings RM**	**Office equipment RM**	**Renovations RM**	**Motor vehicles RM**	**Total RM**
Cost						
At 1 January 2012, 31 December 2012, 31 December 2013	149,014	520	11,913	7,456	174,530	343,433
Accumulated depreciation and impairment losses						
At 1 January 2012	146,531	242	9,775	7,456	34,903	198,907
Depreciation charge (Note 8)	726	104	1,804	-	34,906	37,540
At 31 December 2012 and 1 January 2013	147,257	346	11,579	7,456	69,809	236,447
Depreciation charge (Note 8)	1,753	105	330	-	34,906	37,094
At 31 December 2013	149,010	451	11,909	7,456	104,715	273,541
Net carrying amount						
At 31 December 2012	1,757	174	334	-	104,721	106,986
At 31 December 2013	4	69	4	-	69,815	69,892

Assets held under finance lease

The carrying amount of motor vehicles held under finance lease at the reporting date were RM69,815 (2012: RM104,721) (Note 19).

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14. Intangible assets

	Goodwill RM	Intellectual property RM	Software license RM	Development costs RM	Total RM
Group					
Cost					
At 1 January 2012	2,623,142	14,858,690	4,241,442	721,788	22,445,062
Additions	-	-	4,360	-	4,360
Exchange differences	(69,487)	(45,278)	-	10,342	(104,423)
At 31 December 2012 and 1 January 2013	2,553,655	14,813,412	4,245,802	732,130	22,344,999
Additions	-	-	-	849,463	849,463
Write-offs	-	-	(4,449)	-	(4,449)
Exchange differences	-	708,678	89	15,658	724,425
At 31 December 2013	2,553,655	15,522,090	4,241,442	1,597,251	23,914,438
Accumulated amortisation and impairment losses					
At 1 January 2012	2,398,017	14,611,495	4,241,442	721,788	21,972,742
Amortisation (Note 8)	-	180,696	854	-	181,550
Exchange differences	(63,523)	(43,845)	(7)	10,342	(97,033)
At 31 December 2012 and 1 January 2013	2,334,494	14,748,346	4,242,289	732,130	22,057,259
Amortisation (Note 8)	-	66,778	1,359	-	68,137
Write-offs	-	-	(2,223)	-	(2,223)
Impairment loss (Note 8)	232,819	-	-	-	232,819
Exchange differences	(13,658)	706,966	17	15,658	708,983
At 31 December 2013	2,553,655	15,522,090	4,241,442	747,788	23,064,975
Net carrying amount					
At 31 December 2012	219,161	65,066	3,513	-	287,740
At 31 December 2013	-	-	-	849,463	849,463

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14. Intangible assets (contd.)

	Software license RM	Development costs RM	Total RM
Company			
Cost			
At 1 January 2012 and 31 December 2012	4,241,442	-	4,241,442
Additions	-	854,215	854,215
At 31 December 2013	4,241,442	854,215	5,095,657
Accumulated amortisation and impairment losses			
At 1 January 2012, 31 December 2012 and 31 December 2013	4,241,442	-	4,241,442
Net carrying amount			
At 31 December 2012	-	-	-
At 31 December 2013	-	854,215	854,215

Intellectual property, software license and development costs

Intellectual property relates to telecommunication software and television programme rights acquired and has an average remaining amortisation period of 6 (2012: 6) years.

Software license relates to:

- software license that is embedded in computer-controlled equipment, including operating system that cannot operate without that specific software is an integral part of the related hardware;

- application software that is being used on a computer that is generally easily replaced and is not an integral part of the related hardware.

During the financial year ended 31 December 2013, the Group and the Company have capitalised development costs pertaining to development of a software application of RM849,463 and RM854,215 respectively. The development of the said software application is not complete as at 31 December 2013 and as such, not amortised during the current financial year.

14. Intangible assets (contd.)

Impairment testing of goodwill

The recoverable amounts of the CGU has been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period.

The pre-tax discount rates applied to the cash flow projections is 10% (2012: 8%). The forecast growth rates used to extrapolate cash flows beyond the five-year period ranges between 3% and 5% (2012: 3% and 5%) per annum.

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

(i) Pre-tax discount rates

Discount rates reflect the current market assessment of the risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

(ii) Growth rates and gross margins

Growth rates and gross margins are based on the individual CGU's past trends, recent performance and market or industry developments.

Impairment loss recognised

In the previous financial year, the carrying amounts of goodwill allocated to CGU of emerging market was RM219,161. During the current financial year, the same goodwill and its exchange differences of RM13,658, cumulatively amounted to RM232,819 (Note 8) was recognised in the Group's profit or loss.

15. Investments in subsidiaries

	Company 2013 RM	Company 2012 RM
Unquoted shares, at costs	13,666,162	13,666,099
Impairment losses	(4,604,489)	(4,604,489)
	9,061,673	9,061,610

The details of the subsidiaries are as follows:

Name	Country of incorporation	Proportion (%) of ownership interest 2013	Proportion (%) of ownership interest 2012
Held by the Company:			
Mobile Touchetek Sdn. Bhd. [a]	Malaysia	100	100
mTouche International Sdn. Bhd. [a]	Malaysia	100	100
mTouche Pte. Ltd. [b]	Singapore	100	100
PT mTouche [b]	Republic of Indonesia	99	99
mTouche (Thailand) Co. Ltd. [b]	Thailand	99.94	99.94
mTouche (HK) Ltd. [b]	Hong Kong	100	100
mTouche (Vietnam) Co. Ltd. [b]	Vietnam	100	100
mBit Pte. Ltd. [b]	Singapore	100	95
mTouche Technology Philippines Inc. [b, c, e]	Philippines	99.99	99.99

15. Investments in subsidiaries (contd.)

Name	Country of incorporation	Proportion (%) of ownership interest 2013	2012
Held through mTouche (Vietnam) Co Ltd:			
M.B.O.X Joint Stock Co. [b, d]	Vietnam	64.90	64.90
Held through mTouche Pte Ltd:			
Nastech Ltd. [b]	Hong Kong	100	100
Held through Nastech Ltd:			
Mobile Fusion Pte. Ltd. [b]	Singapore	100	100

a Audited by Ernst & Young, Malaysia
b Audited by firms other than Ernst & Young, Malaysia
c This subsidiary is dormant and/or do not have significant activities
d Operations have been ceased during the current financial year
e This subsidiary is in the process of being deregistered

The principal activities of the above subsidiaries are the provision of mobile applications and related technology services with the exception of Nastech Ltd whereby its principal activities includes e-commerce trading.

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16. Deferred tax

Deferred income tax as at 31 December relates to the following:

Group	As at 1 January RM	Recognised in profit or loss (Note 11) RM	Recognised in other comprehen-sive income RM	Exchange differences RM	As at 31 December RM
2013					
Deferred tax assets:					
Unabsorbed capital allowances and unutilised tax losses	807,529	6,574	-	(8,850)	805,253
Deferred tax liabilities:					
Withholding tax	(110,000)	27,000	-	-	(83,000)
Defined benefit obligation	(16,647)	-	(9,742)	1,093	(25,296)
Others	(13,627)	-	-	-	(13,627)
	(140,274)	27,000	(9,742)	1,093	(121,923)
Total	667,255	33,574	(9,742)	(7,757)	683,330
2012 (restated)					
Deferred tax assets:					
Unabsorbed capital allowances and unutilised tax losses	806,838	5,924	-	(5,233)	807,529
Deferred tax liabilities:					
Withholding tax	-	(110,000)	-	-	(110,000)
Defined benefit obligation	-	-	(17,277)	630	(16,647)
Others	(13,627)	-	-	-	(13,627)
	(13,627)	(110,000)	(17,277)	630	(140,274)
Total	793,211	(104,076)	(17,277)	(4,603)	667,255

16. Deferred tax (contd.)

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

	Group	
	2013	2012
	RM	RM
Unutilised tax losses	22,747,117	24,616,891
Unabsorbed capital allowances	7,020,556	6,641,088
	29,767,673	31,257,979

At the reporting date, the Group has unutilised tax losses and unabsorbed capital allowance of approximately RM29,767,673 (2012: RM31,257,959) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

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17. Trade and other receivables

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Current				
Trade receivables				
Third parties	6,185,741	9,436,447	-	-
Amounts due from subsidiaries	-	-	32,945,168	26,867,113
Less: Allowance for impairment losses	(26,012)	(38,986)	(593,381)	(593,381)
	6,159,729	9,397,461	32,351,787	26,273,732
Other receivables				
Amounts due from subsidiaries	-	-	8,501,485	5,479,317
Deposits	781,810	496,524	209,273	194,273
Sundry receivables	656,960	420,602	76,230	53,682
	1,438,770	917,126	8,786,988	5,727,272
Less: Allowance for impairment losses	-	-	(672,565)	(624,306)
	1,438,770	917,126	8,114,423	5,102,966
	7,598,499	10,314,587	40,466,210	31,376,698
Non-current				
Other receivables				
Amounts due from subsidiaries	-	-	19,890,000	19,890,000
Less: Allowance for impairment losses	-	-	(19,313,608)	(19,313,608)
	-	-	576,392	576,392
Total trade and other receivables (current and non-current)	7,598,499	10,314,587	41,042,602	31,953,090
Add: Cash and bank balances (Note 18)	16,927,088	21,154,561	276,975	2,300,432
Total loans and receivables	24,525,587	31,469,148	41,319,577	34,253,522

17. Trade and other receivables (contd.)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 (2012: 30 to 90) days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Group				
Neither past due nor impaired	3,260,048	3,821,102	2,339,756	7,090,614
1 to 30 days past due not impaired	1,707,007	3,796,001	-	-
31 to 60 days past due not impaired	688,968	1,547,491	-	-
61 to 90 days past due not impaired	250,859	24,443	-	-
91 to 365 days past due not impaired	252,847	208,424	-	-
More than 365 days past due not impaired	-	-	30,012,031	19,183,118
	2,899,681	5,576,359	30,012,031	19,183,118
Impaired	26,012	38,986	593,381	593,381
	6,185,741	9,436,447	32,945,168	26,867,113

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the year.

17. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM2,899,681 (2012: RM5,576,359) and RM30,012,031 (2012: RM19,183,118) respectively that are past due at the reporting date but not impaired. Based on historical payments received, the Group and the Company believe that no further impairment allowance is necessary.

The Company's trade receivable amounts that are more than 365 days past due but not impaired represent amounts due from subsidiaries. No impairment allowance is necessary as these amounts are repayable on demand.

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group *Individually impaired*		**Company** *Individually impaired*	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Trade receivables				
- nominal amounts	26,012	38,986	593,381	593,381
Less: Allowance for impairment losses	(26,012)	(38,986)	(593,381)	(593,381)
	-	-	-	-

Movement in allowance accounts:

	Group		**Company**	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
At 1 January	38,986	24,234	593,381	593,381
Charge for the year (Note 8)	2,811	14,752	-	-
Written off	(15,785)	-	-	-
At 31 December	26,012	38,986	593,381	593,381

17. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Receivables that are impaired (contd.)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Other receivables

Other receivables that are impaired

The Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Company *Individually impaired*	
	2013 RM	**2012 RM**
Current		
Other receivables- nominal amounts	672,565	624,306
Less: Allowance for impairment losses	(672,565)	(624,306)
	-	-
Non-current		
Other receivables- nominal amounts	19,313,608	19,313,608
Less: Allowance for impairment losses	(19,313,608)	(19,313,608)
	-	-

17. Trade and other receivables (contd.)

(b) Other receivables (contd.)

Other receivables that are impaired (contd.)

Movement in allowance accounts:

	Company 2013 RM	Company 2012 RM
Current		
At 1 January	624,306	599,285
Charge for the year (Note 8)	48,259	25,021
At 31 December	672,565	624,306
Non-current		
At 1 January/31 December	19,313,608	19,313,608

(c) Amounts due from subsidiaries

The amounts categorised under current trade and other receivables are unsecured, non-interest bearing and are repayable upon demand.

The amounts categorised under non-current other receivables are non-interest bearing and have no fixed terms of repayment. These amounts are not expected to be repaid within the next twelve months.

18. Cash and bank balances

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash on hand and at banks	13,710,912	13,822,689	218,283	1,888,215
Short term deposits with licensed banks	3,216,176	7,331,872	58,692	412,217
Cash and cash equivalents	16,927,088	21,154,561	276,975	2,300,432

18. Cash and bank balances (contd.)

Short-term deposits with licensed banks are made for varying periods of between 1 and 90 (2012: 1 and 90) days depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates.

The effective interest rates of short term deposits with licensed banks at the reporting date ranged from 1.75% to 7.5% (2012: 0.1% to 9%) per annum.

The maturities of these deposits at the respective reporting dates ranged from 1 to 90 (2012: 1 to 90) days.

19. Borrowings

	Group/Company	
	2013	**2012**
	RM	**RM**
Current		
Secured:		
Obligations under finance lease (Note 26(b))	27,804	27,804
Non-current		
Secured:		
Obligations under finance lease (Note 26(b))	27,784	55,588
Total borrowings (Note 20)	55,588	83,392

Obligations under finance lease

These obligations are secured by a charge over the leased motor vehicle (Note 13). The effective interest rate was 5.01% (2012: 5.01%) per annum. These obligations are denominated in RM.

20. Trade and other payables

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Current				
Trade payables				
Third parties	1,748,747	2,090,871	-	-
Other payables				
Amounts due to subsidiaries	-	-	12,646,981	393,588
Accruals	5,163,533	6,682,946	203,870	639,940
Sundry payables	1,468,996	907,385	264,948	209,525
	6,632,529	7,590,331	13,115,799	1,243,053
Total trade and other payables	8,381,276	9,681,202	13,115,799	1,243,053
Add : Borrowings (Note 19)	55,588	83,392	55,588	83,392
Total financial liabilities carried at amortised cost	8,436,864	9,764,594	13,171,387	1,326,445

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 60 to 90 (2012: 60 to 90) days terms.

(b) Amounts due to subsidiaries

These amounts are unsecured, non-interest bearing and repayable on demand.

21. Defined benefit obligations

The Group has defined benefit obligations arising from two of its subsidiaries, mTouche (Thailand) Company Limited ("MCL") and PT mTouche (Indonesia) ("PTMT") respectively.

Under labour laws in Thailand, all employees with more than 120 days of service are entitled to Legal Severance Payment benefits ranging from 30 to 300 days of final salary upon termination of service, including forced termination or retrenchment, or in the event of retirement.

21. Defined benefit obligations (contd.)

The defined benefit obligations in Indonesia is governed under Indonesia's Labour Law No. 13/2003 which required employers to provide a mandatory termination indemnity defined benefit plan to all permanent private sector employees. Upon termination of employment, regardless of the reason, the employer is obliged to provide severance pay and long-service pay in a lump sum.

The present value of defined benefit obligations for both plans are as follows:-

	Group	
	2013 RM	2012 RM (restated)
Defined benefit obligation plans arising from:-		
MCL ("MCL pension plan")	53,094	29,723
PTMT ("PTMT pension plan")	87,192	125,700
	140,286	155,423

The movements in the present values of the respective defined benefit obligation, which also represents the net liability are as follows:

	MCL pension plan RM	PTMT pension plan RM	Total RM
Defined benefit obligations at 1 January 2012	-	209,436	209,436
Past service cost	7,636	-	7,636
Current service cost	21,597	35,387	56,984
Interest cost	328	9,612	9,940
Actuarial gains recognised in other comprehensive income	-	(69,109)	(69,109)
Benefits paid	-	(44,004)	(44,004)
Foreign exchange differences	162	(15,622)	(15,460)
Defined benefit obligations at 31 December 2012 (restated)	29,723	125,700	155,423
Current service cost	23,245	9,980	33,225
Interest cost	1,312	7,051	8,363
Actuarial gains recognised in other comprehensive income	-	(38,967)	(38,967)
Foreign exchange differences	(1,186)	(16,572)	(17,758)
Defined benefit obligations at 31 December 2013	53,094	87,192	140,286

21. Defined benefits obligation (contd.)

The amounts recognised in profit and loss, in the administrative expenses line in the statement of comprehensive income, are as follows:

	2013 RM	2012 RM
Past service cost	-	7,636
Current service cost	33,225	56,984
Interest cost	8,363	9,940
	41,588	74,560

Principal actuarial assumptions used:

	2013 %	2012 %
MCL pension plan		
Discount rate	4.3	4.3
Inflation rate	3.0	3.0
Expected rate of salary increases:		
- Prior to age 30	12.0	12.0
- Age 30 onwards	8.0	8.0
PTMT pension plan		
Discount rate	9.0	6.0
Expected rate of salary increases	6.0	6.0

A one percentage point change in the assumed discount rate would have the following effects:

	Increase RM	Decrease RM
2013		
Effect on the defined benefit obligations	(21,428)	26,576

The actuarial valuation of MCL pension plan was conducted by an independent valuer on 16 January 2013 for the financial years 31 December 2012 to 31 December 2015.

The actuarial valuation of PTMT pension plan was conducted by an independent valuer on 27 January 2014 for the financial years 31 December 2012 to 31 December 2013.

22. Share capital, share premium and treasury shares

	Group/Company					
	Number of ordinary share of RM0.10 each		I---- Amount ----I			
	Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid) RM	Share premium RM	Total share capital and share premium RM	Treasury shares RM
At 1 January 2012	227,303,100	(864,200)	22,730,310	3,969,232	26,699,542	(153,126)
Purchase of treasury shares	-	(6,643,900)	-	-	-	(2,965,445)
Issuance of ordinary shares pursuant to exercise of warrants	4,238,000	-	423,800	894,926	1,318,726	-
At 31 December 2012	231,541,100	(7,508,100)	23,154,110	4,864,158	28,018,268	(3,118,571)
Purchase of treasury shares	-	(6,255,400)	-	-	-	(1,534,406)
At 31 December 2013	231,541,100	(13,763,500)	23,154,110	4,864,158	28,018,268	(4,652,977)

22. Share capital, share premium and treasury shares (contd.)

	Group/Company			
	Number of ordinary shares of RM0.10 each		Amount	
	2013	2012	2013 RM	2012 RM
Authorised share capital				
At 1 January/31 December	500,000,000	500,000,000	50,000,000	50,000,000

(a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired 6,255,400 (2012: 6,643,900) shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RM1,534,406 (2012: RM2,965,445) and this was presented as a component within shareholders' equity.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

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23. Other reserves

	Warrant reserve RM	Capital redemption reserve RM	Foreign currency translation reserve RM	Other capital reserves RM	Other reserves, total RM
Group					
At 1 January 2012	9,619,740	4,194,690	(56,123)	-	13,758,307
Other comprehensive income:					
Foreign currency translation	-	-	(514,878)	-	(514,878)
Transactions with owners:					
Exercise of warrant	(174,466)	-	-	-	(174,466)
At 31 December 2012 and 1 January 2013 (restated)	9,445,274	4,194,690	(571,001)	-	13,068,963
Other comprehensive income:					
Foreign currency translation	-	-	(705,177)	-	(705,177)
Transactions with owners:					
Arising from increase in equity interest in subsidiary company	-	-	-	(488)	(488)
At 31 December 2013	9,445,274	4,194,690	(1,276,178)	(488)	12,363,298

23. Other reserves (contd.)

	Warrant reserve RM	Capital redemption reserve RM	Other reserves, total RM
Company			
At 1 January 2012	9,619,740	4,194,690	13,814,430
Transactions with owners:			
Cancellation of exercise of warrant	(174,466)	-	(174,466)
At 31 December 2012, 1 January 2013 and 31 December 2013	9,445,274	4,194,690	13,639,964

(a) Warrant reserve

(i) Warrant 2010/2020

The warrants which were listed on the ACE market of Bursa Malaysia Securities Berhad on 19 March 2010 were constituted by a Deed Poll executed on 25 January 2010. The main features of the warrants are as follows:

(i) Each warrant entitles the holder to subscribe for 1 new ordinary share of RM0.10 each in the Company at a price of RM0.27 per share by cash;

(ii) The warrants may be exercised at any time on or before 16 March 2020;

(iii) The exercise price and the unexercised warrants are subject to adjustments in accordance with the provisions as set out in the Deed Poll; and

(iv) Full provisions regarding the transferability of warrants to new ordinary shares, which will thereafter rank pari passu with the existing ordinary shares of the Company, adjustment of the exercise price and other terms and conditions pertaining to the warrants are set out in detail in the Deed Poll which is available for inspection at the registered office of the Company.

At the reporting date, outstanding warrants amounted to 49,012,000 (2012: 49,012,000) remained unexercised.

23. Other reserves (contd.)

(a) Warrant reserve (contd.)

(ii) Warrant 2008/2018

The warrants which were listed on the ACE market of Bursa Malaysia Securities Berhad on 28 January 2008 were constituted by a Deed Poll executed on 21 November 2007. The main features of the warrants are as follows:

(i) Each warrant entitles the holder to subscribe for 1 new ordinary share of RM0.10 each in the Company at a price of RM0.89 per share by cash;

(ii) The warrants may be exercised at any time on or before 27 January 2018;

(iii) The exercise price and the unexercised warrants are subject to adjustments in accordance with the provisions as set out in the Deed Poll; and

(iv) Full provisions regarding the transferability of warrants to new ordinary shares, which will thereafter rank pari passu with the existing ordinary shares of the Company, adjustment of the exercise price and other terms and conditions pertaining to the warrants are set out in detail in the Deed Poll which is available for inspection at the registered office of the Company.

Pursuant to Condition 2 of the Second Schedule (Part III) and the Memorandum to the Deed Poll dated 21 November 2007 (“Deed Poll”) constituting the Warrants 2008/2018, the subscription price of the Warrants 2008/2018 was revised downwards from RM0.89 to RM0.63 and an additional 22,584,945 Warrants 2008/2018 was issued pursuant to the Rights Issue with New Warrants.

At the reporting date, the warrants outstanding amounted to 67,959,945 (2012: 67,959,945) remained unexercised.

Warrants reserve represents the fair value of the warrants issued at issue date.

(b) Capital redemption reserve

Capital redemption reserve was created for the cancellation of ordinary shares.

(c) Foreign currency translation reserve

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

23. Other reserves (contd.)

(d) Other capital reserves

Other capital reserves comprised of the consolidation effects of a change in the Group's equity interest in a subsidiary company.

24. Company's retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 of the Malaysian Income Tax Act, 1967 ("Section 108") balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2012, the Company has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings. Any Section 108 balance which has not been utilised as at 31 December 2013 is disregarded. Thereafter, the Company may distribute dividends out of its entire retained earnings under the single tier system.

25. Related party transactions

(a) Sale and purchase of services

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

	2013 RM	2012 RM
Group		
Payment of expenses incurred for a related party*	198,524	-

25. Related party transactions (contd.)

(a) Sale and purchase of services (contd.)

	2013 RM	2012 RM
Company		
Licensing fees receivable from subsidiaries**	(2,937,179)	(4,706,754)
Management fees receivable from subsidiaries**	(794,516)	(1,385,359)
Dividend income receivable from subsidiaries	(1,437,525)	(998,501)
Settlement of liabilities on behalf by subsidiaries	334,616	110,644
Settlement of liabilities on behalf of subsidiaries	(627,599)	(538,753)

* The related party, mTouche (Cambodia) Co. Ltd. ("MCCL") is deemed related to the Group's Chief Executive Officer, Mr Low Keng Fei by virtue of his directorship and financial interests in MCCL. The Company subsequently acquired MCCL as disclosed in Note 32.

** The licensing and management fees are charged to subsidiaries at an escalating rate depending on the revenue achieved by the respective subsidiaries during the financial year.

(b) Compensation of key management personnel

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Short-term employee benefits	2,262,698	2,286,996	1,449,611	1,163,154
Defined contribution plan	200,062	233,552	155,701	129,378
	2,462,760	2,520,548	1,605,312	1,292,532

Included in the total key management personnel are directors' remuneration as disclosed in Note 10.

26. Commitments

(a) Operating lease commitments – as lessee

The Group has entered into commercial leases on office premises, with lease terms of 2 (2012: 2) years respectively.

Minimum lease payments recognised in the Group's and the Company's profit or loss for the financial year amounted to RM1,002,726 (2012: RM834,857) and RM20,970 (2012: RM19,223) (Note 8) respectively.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Not later than 1 year	944,404	633,824	20,970	8,738
Later than 1 year but not later than 5 years	422,542	232,056	8,738	-
	1,366,946	865,880	29,708	8,738

(b) Finance lease commitments - as lessee

The Group and the Company have a finance lease for a motor vehicle (Note 13). There are no restrictions placed upon the Group and the Company by entering into the said lease and no arrangement have been entered into for contingent rental payments.

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	Group/Company	
	2013 RM	2012 RM
Minimum lease payments:		
Not later than 1 year	31,488	31,488
Later than 1 year but not later than 2 years	31,466	31,488
Later than 2 years but not later than 5 years	-	31,466
Total minimum lease payments	62,954	94,442
Less : Amounts representing finance charges	(7,366)	(11,050)
Present value of minimum lease payments	55,588	83,392

26. Commitments (contd.)

(b) Finance lease commitments - as lessee (contd.)

	Group/Company 2013 RM	2012 RM
Present value of payments:		
Not later than 1 year	27,804	27,804
Later than 1 year but not later than 2 years	27,784	27,804
Later than 2 years but not later than 5 years	-	27,784
Present value of minimum lease payments	55,588	83,392
Less : Amount due within 12 months (Note 19)	(27,804)	(27,804)
Amount due after 12 months (Note 19)	27,784	55,588

27. Fair value of financial instruments

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current and non-current)	17
Borrowings (current and non-current)	19
Trade and other payables (current and non-current)	20

It is not practical to determine the fair values of balances with related parties due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs. However, the directors do not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be received or settled.

The fair value of borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of leasing arrangements at the reporting date.

The carrying amounts of other financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date except as indicated in their respective notes.

28. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken.

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. Deposits with banks are placed with reputable licensed financial institution with high credit rating.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

28. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2013		2012	
	RM	% of total	RM	% of total
By market:				
Matured markets	4,707,855	76%	7,992,229	85%
Emerging markets	1,451,874	24%	1,405,232	15%
	6,159,729	100%	9,397,461	100%

Information regarding matured markets and emerging markets is disclosed in Note 30.

At the reporting date, revenue from 5 (2012: 3) major customers amounted to RM16,060,000 (2012: RM19,700,000) were from sales in the matured markets segment.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 17.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

28. Financial risk management objectives and policies (contd.)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group’s and the Company’s exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group’s and the Company’s objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At the reporting date, the Group's and the Company's financial liabilities will mature in less than one year based on carrying amounts reflected in the financial statements except for certain obligation under finance lease which will mature within 1 to 2 years and defined benefit obligations which will mature in over 5 years. Further details are disclosed at Notes 21 and 26(b) respectively.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group’s and the Company’s financial instruments will fluctuate because of changes in market interest rates.

The Group’s income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing financial assets, except for short term deposits with licensed banks as disclosed in Note 18. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group’s interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk whereas borrowings at fixed rates expose the Group to fair value interest rate risk. The Group’s policy is to borrow only from reputable licensed financial institutions. As at reporting date, the Group and the Company has no interest-bearing borrowings, except for an obligation under finance lease at a fixed interest rate, to purchase a motor vehicle (Note 19).

28. Financial risk management objectives and policies (contd.)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in various foreign currencies, primarily Thai Baht ("THB"), Indonesian Rupiah ("IDR"),Vietnamese Dong ("VND"), Singapore Dollar ("SGD") and Hong Kong Dollar ("HKD").

Approximately 80% (2012: 71%) of the Group's sales are denominated in foreign currencies whilst almost 75% (2012: 64%) of costs of sales are denominated in the respective functional currencies of the Group entities. The Group's trade receivables and trade payables balances at the reporting date have similar exposures.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances amounted to RM10,523,295 (2012: RM15,534,835).

<u>Sensitivity analysis for foreign currency risk</u>

The following tables demonstrate the sensitivity of the Group's and the Company's (loss)/profit, net of tax to a reasonably possible change in the following foreign currencies:

		2013 **RM** ***Profit, net of tax***
Group		
RM/SGD	- strengthened 4% (2012: 2%)	(579,000)
RM/THB	- strengthened 1% (2012: 1%)	16,000
RM/HKD	- strengthened 7% (2012: 4%)	(57,000)
RM/VND	- strengthened 6%(2012: 3%)	28,000
RM/IDR	- strengthened 15% (2012: 9%)	(228,000)
RM/USD	- strengthened 7% (2012: 4%)	262,000

The weakening of the currencies at a similar rate above will result in an equal but opposite effect to the Group's loss, net of tax.

29. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at manageable level. The Group includes within net debt, borrowings, trade and other payables, less cash and bank balances.

	Group		**Company**	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Borrowings (Note 19)	55,588	83,392	55,588	83,392
Trade and other payables (Note 20)	8,381,276	9,681,202	13,115,799	1,243,053
Less: Cash and bank balances (Note 18)	(16,927,088)	(21,154,561)	(276,975)	(2,300,432)
Net debt	(8,490,224)	(11,389,967)	12,894,412	(973,987)
Equity attributable to the owners of the parent, representing total capital	17,999,798	22,320,993	37,676,902	41,151,971
Total capital and net debt	9,509,574	10,931,026	50,571,314	40,177,984
Gearing ratio	*	*	25%	*

* Not applicable as the amount of net debt is negative.

30. Segment information

For management purposes, the Group is organised into business units based on geographical segments, and has two reportable operating segments as follows:

(i) Matured markets - countries with saturated markets which include Malaysia, Hong Kong, Thailand and Singapore.

(ii) Emerging markets - countries with potential growth and penetration rate which include Indonesia, Vietnam, and the Philippines.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) is managed on a Group basis and is not allocated to operating segments.

Transfer prices between operating segments are at terms agreed between the parties during the year.

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30. Segment information (contd.)

2013	Matured markets RM	Emerging markets RM	Eliminations RM	Notes	Per consolidated financial statements RM
Revenue:					
External customers	24,021,603	4,315,969	-		28,337,572
Inter-segment	5,639,185	47,526	(5,686,711)	A	-
Total revenue	29,660,788	4,363,495	(5,686,711)		28,337,572
Results:					
Interest income	188,496	91,774	-		280,270
Interest expense	3,684	-	-		3,684
Depreciation and amortisation	345,117	59,152	-		404,269
Other non-cash (income)/ expenses	(1,341,793)	728,337	-	B	(613,456)
Income tax expense	836,342	40,466	(27,000)		849,808
Segment profit/(loss)	3,431,721	(1,646,230)	(1,019,256)	C	766,235
Assets:					
Additions to plant and equipment	468,875	115,451	-		584,326
Tax recoverable	181,501	-	-		181,501
Deferred tax assets	822,989	48,696	(66,432)		805,253
Segment assets	117,820,732	3,978,740	(94,349,326)	D	27,450,146
Segment liabilities	110,462,084	5,698,731	(106,887,049)	E	9,273,766
2012 (restated)					
Revenue:					
External customers	30,991,240	5,897,651	-		36,888,891
Inter-segment	7,090,614	-	(7,090,614)	A	-
Total revenue	38,081,854	5,897,651	(7,090,614)		36,888,891
Results:					
Interest income	239,560	283,970	-		523,530
Interest expense	3,684	-	-		3,684
Depreciation and amortisation	405,863	80,582	-		486,445
Other non-cash (income)/ expenses	(400,445)	194,891	474,532	B	268,978
Income tax expense	1,496,047	105,490	110,000		1,711,537
Segment profit/(loss)	7,580,418	(393,047)	(1,093,657)	C	6,093,714
Assets:					
Additions to plant and equipment	265,303	29,955	-		295,258
Tax recoverable	547,413	-	-		547,413
Deferred tax assets	818,316	55,645	(66,432)		807,529
Segment assets	77,454,130	5,011,520	(48,439,061)	D	34,026,589
Segment liabilities	46,909,742	5,297,182	(41,061,602)	E	11,145,322

30. Segment information (contd.)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2013 RM	2012 RM
Impairment losses on intangible assets	14	232,819	-
Allowance for impairment losses on financial assets	8	2,811	14,752
Property, plant and equipment written off	13	29,852	6,374
Unrealised foreign exchange (gains)/ losses	8	(959,167)	95,589
Gain on disposal of property, plant and equipment	6	(10,158)	-
Intangible assets written off	14	2,226	-
Short term accumulating compensated absences	9	46,573	77,703
Increase in liability for defined benefits obligation	21	41,588	74,560
		(613,456)	268,978

C Inter-segment revenues and expenses amounting to RM1,019,256 (2012: RM1,093,657) were deducted from segment profit/(loss) to arrive at “Profit before tax" presented in the consolidated statement of comprehensive income.

D Inter-segment assets amounting to RM94,349,326 (2012: RM48,439,061) were deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position.

E Inter-segment liabilities amounting to RM106,887,049 (2012: RM41,061,602) were deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

30. Segment information (contd.)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Non-current assets	
	2013	2012	2013	2012
	RM	RM	RM	RM
Matured markets	24,021,603	30,991,240	1,532,935	562,112
Emerging markets	4,315,969	5,897,651	107,006	304,854
	28,337,572	36,888,891	1,639,941	866,966

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2013	2012
	RM	RM
Property, plant and equipment	790,478	579,226
Intangible assets	849,463	287,740
	1,639,941	866,966

31. Dividend

	Group/Company	
	2013	2012
	RM	RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Interim tax exempt dividend of 1 sen per share	2,217,731	-

The directors do not recommend any payment of final dividend in respect of the financial year ended 31 December 2013.

32. Subsequent events

(i) Acquisition of shares in MTB Securenet Sdn. Bhd. and Juz Technology Sdn. Bhd.

On 18 March 2014, the Company had acquired 100% equity interest in MTB Securenet Sdn. Bhd. ("MTBSN") and Juz Technology Sdn. Bhd. ("Juz Tech") at a total consideration of RM2 each ("Acquisition").

MTBSN was incorporated on 12 March 2014 under the Companies Act, 1965 as a private limited company and the principal activity is research and development of existing or new technologies in the field of information technology and mobile application.

Juz Tech was incorporated on 21 January 2014 under the Companies Act, 1965 as a private limited company and is currently dormant.

The Acquisition would not have material effect on the financial results and financial performance of the Group and of the Company.

None of the directors and/or major shareholders of the Company and/or persons connected to them has any interests, direct or indirect, in the Acquisition.

(ii) Distributor Agreement entered between MTB Securenet Sdn. Bhd. and Compugates Sdn. Bhd., a wholly owned subsidiary of Compugates Holdings Berhad

MTB Securenet Sdn. Bhd. (“MTBSN”), a wholly owned subsidiary of the Company, had on 18 March 2014 entered into a Distributor Agreement with Compugates Sdn. Bhd. (“CSB”), a wholly owned subsidiary of Compugates Holdings Berhad, appointing CSB as a Distributor to market and distribute Krypto SMS in Malaysia for the Company ("Appointment").

The Appointment will enable MTBSN a wide access to customers through CSB’s vast distribution network located throughout Malaysia.

The Appointment is for an initial period of twelve (12) months from 18 March 2014, which may be renewed for successive one year terms.

The Appointment will not have material effect on the financial results and financial performance of the Group and of the Company.

None of the directors or major shareholders or persons connected to them has any direct or indirect interest in the Appointment.

32. Subsequent events (contd.)

(iii) Acquisition of shares in mTouche Cambodia

On 25 March 2014, the Company had acquired 100% equity interest in mTouche (Cambodia) Co., Ltd. (“MCCL”) from Mr. Low Keng Fei, the Chief Executive Officer of the Group for a total cash consideration of USD5,000 (“MCCL Acquisition”).

MCCL was incorporated in Cambodia on 11 March 2013 under Laws of the Kingdom of Cambodia as a private limited company and is principally engaged in the provision of mobile applications and related technology services.

None of the directors and/or major shareholders of the Company and/or persons connected to them have any interest, whether directly or indirectly, in the MCCL Acquisition except for Mr. Low Keng Fei, the sole director and shareholder of MCCL and the Chief Executive Officer of the Group.

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33. Comparatives

The following comparative figures have been reclassified to conform with current year's presentation:

	As previously stated RM	Recla-ssifications RM	As restated RM
Statement of financial position As at 31 December 2012 - Group			
Current liabilities			
Trade and other payables	9,903,214	(222,012)	9,681,202
Non-current liabilities			
Defined benefit obligations	-	222,012	222,012*
Consolidated statement of cash flows For the financial year ended 31 December 2012			
Adjustments for:			
Defined benefit obligations	29,563	44,997	74,560
Total adjustments	190,580	44,997	235,577
Operating cash flows before changes in working capital	6,284,294	44,997	6,329,291
Changes in working capital			
Decrease in trade and other payables	(1,877,080)	16,987	(1,860,093)
Total changes in working capital	(3,292,316)	16,987	(3,275,329)
Cash generated from operations	2,991,978	61,984	3,053,962
Defined benefits paid	-	(44,004)	(44,004)
Net cash flows generated from operating activities	2,704,938	17,980	2,722,918
Net (decrease)/increase in cash and cash equivalents	556,331	17,980	574,311
Effect of exchange rate changes on cash and cash equivalents	(504,506)	(17,980)	(522,486)

* before impact arising from the adoption of MFRS 119: Employee Benefits (revised) as disclosed in Note 2.2(a).

34. Supplementary explanatory note on disclosure of realised and unrealised losses

The breakdown of the (accumulated losses)/retained earnings of the Group and of the Company as at 31 December 2013 into realised and unrealised (losses)/profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Total (accumulated losses)/ retained earnings of the Company and its subsidiaries				
- Realised	(16,718,155)	(13,791,581)	713,412	2,612,310
- Unrealised	1,642,496	571,666	(41,765)	-
	(15,075,659)	(13,219,915)	671,647	2,612,310
Less : Consolidated adjustments	(2,653,132)	(2,427,752)	-	-
Total (accumulated losses)/ retained earnings as per financial statements	(17,728,791)	(15,647,667)	671,647	2,612,310

The determination of realised and unrealised (losses)/profits above is solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.