mTouche®

MTOUCHE TECHNOLOGY BERHAD

656395-X

# ANNUAL REPORT 2017/2018

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# Corporate Information

## BOARD OF DIRECTORS

Y. M. RAJA HIZAD BIN RAJA KAMARULZAMAN
Independent Non-Executive Director/Chairman
*(Re-designated on 14 May 2018)*

TANG BOON KOON
Executive Director

CHEN HUEI PING
Executive Director

KUNAMONY A/P S.KANDIAH
Senior Independent Non-Executive Director

YONG KET INN
Independent Non-Executive Director

## AUDIT COMMITTEE

YONG KET INN (Chairman)

Y. M. RAJA HIZAD BIN RAJA KAMARULZAMAN

KUNAMONY A/P S.KANDIAH

## NOMINATION COMMITTEE

KUNAMONY A/P S.KANDIAH (Chairman)

Y. M. RAJA HIZAD BIN RAJA KAMARULZAMAN

YONG KET INN

## REMUNERATION COMMITTEE

Y. M. RAJA HIZAD BIN RAJA KAMARULZAMAN (Chairman)

KUNAMONY A/P S.KANDIAH

YONG KET INN

## REGISTERED OFFICE

10th Floor,
Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur
Tel: 03-2382 4288
Fax: 03-2382 4170/71/72

## HEAD OFFICE

**mTouche Technology Berhad**
Lot 11.3, 11th Floor, Menara Lien Hoe,
No. 8, Persiaran Tropicana,
Tropicana Golf & Country Resort,
47410 Petaling Jaya,
Selangor Darul Ehsan
Tel: 03-7886 0100
Fax: 03-7866 0122

## STOCK EXCHANGE

**ACE Market of Bursa Malaysia Securities Berhad**
Stock Name: MTOUCHE
Stock Code: 0092
Warrant Code : 0092WB / 0092WC

## WEBSITE

**www.mtouche.com**

## COMPANY SECRETARY

**Teo Mee Hui**
*(MAICSA 7050642)*
**Ng Sally**
*(MAICSA 7060343)*

## PRINCIPAL BANKERS

**Malayan Banking Berhad**
**OCBC Bank (Malaysia) Berhad**

## SHARE REGISTRAR

**ShareWorks Sdn. Bhd.**
No. 2-1
Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Tel: 03-62011120
Fax: 03-62013121

## AUDITORS

**Grant Thornton Malaysia** (AF 0737)
*(Member of Grant Thornton International Ltd.)*
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2692 4022
Fax: 03-2732 5119

# Corporate Structure

## MTOUCHE TECHNOLOGY BERHAD
(INCORPORATED IN MALAYSIA)

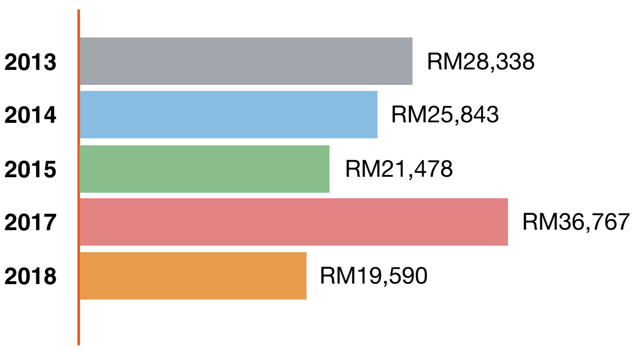
- 100% **MTOUCHE INTERNATIONAL SDN. BHD.** (INCORPORATED IN MALAYSIA)
- 100% **MTOUCHE PTE. LTD.** (INCORPORATED IN SINGAPORE)
  - 100% **NASTECH LIMITED** (INCORPORATED IN HONG KONG)
    - 100% **MOBILE FUSION PTE. LTD.** (INCORPORATED IN SINGAPORE)
- 100% **MBIT PTE. LTD.** (INCORPORATED IN SINGAPORE)
- 99.94% **MTOUCHE (THAILAND) CO. LTD.** (INCORPORATED IN THAILAND)
- 100% **MTOUCHE (VIETNAM) CO. LTD.** (INCORPORATED IN VIETNAM)
  - 100% **MOBILE ASIA VIETNAM CO., LTD.** (INCORPORATED IN VIETNAM)
- 100% **MTOUCHE (HK) LTD.** (INCORPORATED IN HONG KONG)
  - 100% **MTOUCHE E WALLET (HK) LIMITED** (INCORPORATED IN HONG KONG)
- 49% **PT MTOUCHE** (INCORPORATED IN REPUBLIC OF INDONESIA)
- 99.99% **MTOUCHE TECHNOLOGY PHILIPPINES INC.** (INCORPORATED IN PHILIPPINES)
- 100% **MTOUCHE (CAMBODIA) CO. LTD.** (INCORPORATED IN CAMBODIA)

# Financial Highlights

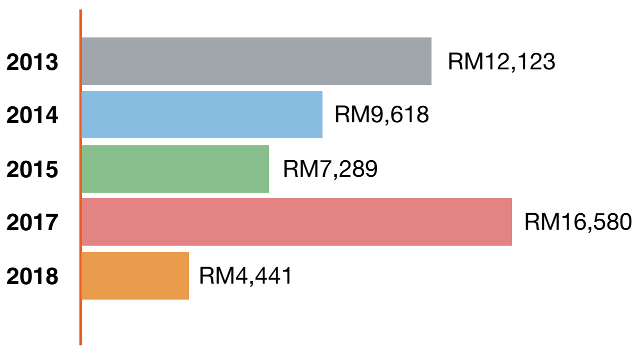
| | | Audited 2013 | Audited 2014 | Audited 2015 | Audited FPE 2017* | Audited 2018 |
|---|---|---|---|---|---|---|
| Revenue | RM'000 | 28,338 | 25,843 | 21,478 | 36,767 | **19,590** |
| Gross profit | RM'000 | 12,123 | 9,618 | 7,289 | 16,580 | **4,441** |
| Gross margin | % | 42.8% | 37.2% | 33.9% | 45.1% | **22.7%** |
| Profit/(Loss) before tax ("PBT/LBT") | RM'000 | 766 | (6,071) | (720) | 2,840 | **1,814** |
| PBT margin | % | 2.7% | -23.5% | -3.4% | 7.7% | **9.3%** |
| Profit/(Loss) after tax ("PAT/LAT") | RM'000 | (84) | (6,922) | (1,298) | 662 | **970** |
| PAT / LAT margin | % | -0.3% | -26.8% | -6.0% | 1.8% | **5.0%** |
| Basic earnings/(losses) per share | sen | 0.05 | (3.29) | (0.53) | 0.43 | **0.38** |

** constituted of 18 months result due to the change of financial year end from 31 December to 30 June*

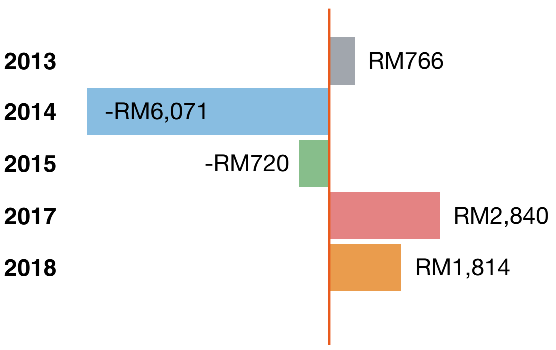
## Revenue (RM'000)



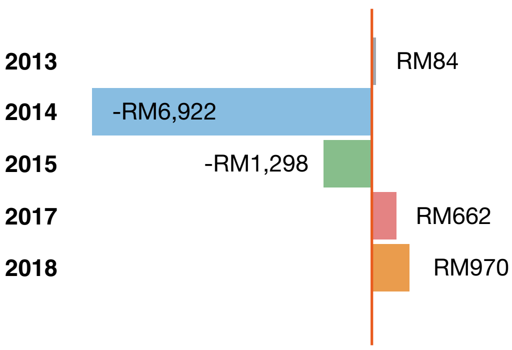

## Gross Profit (RM'000)




## Profit/(Loss) Before Tax (RM'000)




## Profit/(Loss) After Tax (RM'000)



# Profile Of Directors And Key Senior Management

**Y.M. RAJA HIZAD BIN RAJA KAMARULZAMAN**
**Independent Non-Executive Director/ Chairman**

Aged 64, Male, Malaysian

Y.M. Raja Hizad Bin Raja Kamarulzaman ("Y.M. Raja Hizad") was appointed as the Non-Independent Non-Executive Chairman on 27 April 2012. He was re-designated as the Non-Independent Executive Chairman of the Company on 20 January 2014 and subsequently re-designated as the Non-Independent Non-Executive Chairman on 1 April 2016. During the financial year end, Y.M. Raja Hizad was re-designated as the Independent Non-Executive Chairman on 14 May 2018. Raja Hizad is currently the Chairman of our Remuneration Committee and also a member of our Audit Committee and Nomination Committee.

Y.M. Raja Hizad is also a project director with EAG Consulting Sdn. Bhd., an environmental analytical green consultancy, where he is responsible for the administration of the Company. He has more than 38 years working experience in architectural and planning construction projects.

Y.M. Raja Hizad holds a Certificate in Town Planning from Institut Teknologi MARA (currently known as Universiti Teknologi MARA) and Diploma in Town Planning Universiti Teknologi Malaysia. He is currently Chairman of Ire-Tex Corporation Berhad.

Save for his directorship of the Company and Ire-Tex Corporation Berhad, Y.M. Raja Hizad does not hold any other directorship in public companies and listed corporations.

Y.M. Raja Hizad has attended all seven (7) Board Meetings held during the financial year ended 30 June 2018.

**TANG BOON KOON**
**Executive Director**

Aged 47, Male, Malaysian

Mr. Tang was appointed as an Executive Director on 4 May 2016. Mr. Tang has more than 26 years of working experience in the Information, Communication & Technology industry, and was an all-rounder from technical, marketing, business development, operation to corporate management. He has held a number of senior management positions in various public listed companies in Malaysia, Hong Kong and New Zealand.

Prior to joining the Group, Mr. Tang was the Chief Operating Officer of MyKris Limited, a company listed in New Zealand Alternative Exchange (NZAX).

Mr. Tang graduated from Wawasan Open University as Commonwealth Executive Master of Business Administration (CeMBA) degree and has obtained Diploma in Electronics and Electrical Engineering from Federal College of Technology.

Save for his directorship of the Company, Mr. Tang does not hold any other directorship in public companies and listed corporations.

Mr. Tang has attended all seven (7) Board Meetings held during the financial year ended 30 June 2018.

**CHEN HUEI PING**
**Executive Director**

Aged 26, Male, Malaysian

Mr. Chen was appointed as an Executive Director on 4 May 2016. Mr. Chen started his career as a Business Development Executive, and was promoted to head the Sales and Marketing department in a Public Listed Manufacturing Company. Subsequently, he joined a Multi-International Manufacturing Company as a Regional Business Development Manager for APAC market in a E&E industry.

Mr. Chen obtained his Degree in Economics and Finance from Singapore Institute of Management University - Royal Melbourne Institute of Technology, Singapore.

Save for his directorship of the Company, Mr. Chen does not hold any other directorship in public companies and listed corporations.

Mr. Chen has attended all seven (7) Board Meetings held during the financial year ended 30 June 2018.

# Profile Of Directors And Key Senior Management (cont'd)

**KUNAMONY A/P S.KANDIAH**
**Senior Independent Non-Executive Director**

Aged 66, Female, Malaysian

Ms. Kunamony was appointed as a Senior Independent Non-Executive Director on 6 May 2016. Ms. Kunamony is currently the Chairman of our Nomination Committee and also a member of our Audit Committee and Remuneration Committee.

Ms. Kunamony is an Advocate & Solicitor of the High Court of Malaya and now a senior partner of Messrs. Mohd Latip & Associates. She has 30 years of legal experience. Whilst in legal practice, she attended to various legal matters especially company / corporate, matters, probate, family law. She specialises in matters relating to restructuring of ailing, companies (Public Listed and Private limited companies). She is also Committee Member of the Selangor Bar for State of Selangor for a number of terms. She was appointed as a Panel Member of the Investigating Tribunal Boars and also Vice-President of the Arthritis Foundation, Malaysia.

Ms. Kunamony graduated with a law degree from Buckingham University and pursued professional practice course at the Council of Legal Education and was admitted as an utter Barrister at Law of Middle Temple, England.

Save for her directorship of the Company, Ms. Kunamony does not hold any other directorship in public companies and listed corporations.

Ms. Kunamony has attended all seven (7) Board Meetings held during the financial year ended 30 June 2018.

**YONG KET INN**
**Independent Non-Executive Director**

Aged 61, Male, Malaysian

Mr. Yong was appointed as an Independent Non-Executive Director on 26 July 2017. Mr. Yong is currently the Chairman of our Audit Committee and also a member of our Nomination Committee and Remuneration Committee.

Mr. Yong is a Chartered Accountant of Malaysian Institute of Accountants since 1987 and a fellow member of the Malaysian Institute of Taxation since 1983. He has more than 36 years of collective international experience and working experience in financial management as chief finance officer, financial controller, group general manager finance, audit manager in diverse industries and several continents.

Mr. Yong graduated with Bachelor of Science (Honours) degree in Management and Administrative Studies from University of Aston in Birmingham, England and is a fellow member of the Institute of Chartered Accountants in England and Wales.

Save for his directorship of the Company and NetX Holdings Berhad, Mr Yong does not hold any other directorship in public companies and listed corporations.

Mr. Yong has attended all seven (7) Board Meetings subsequent to his appointment during the financial year ended 30 June 2018.

***Notes to Profile of the Directors***

1. ***Family Relationships***
   *None of the Directors have any family relationship with any other Director and/or any major shareholder of the Company.*

2. ***Conflict of Interest***
   *None of the Directors has any personal interest or conflict of interest in any business arrangement involving the Group.*

3. ***Conviction of Offences***
   *None of the Directors has been convicted of any offence within the past five (5) years, other than traffic offences (if any) and no public sanctions or penalties were imposed on them by the relevant regularity bodies during the financial year ended 30 June 2018.*

**KEY SENIOR MANAGEMENT**

The Key Senior Management consists of our Executive Directors, Mr. Tang Boon Koon and Mr. Chen Huei Ping. The profiles of our Executive Directors are set out in the "*Profile of the Directors and Key Senior Management*" in this Annual Report.

# Management Discussion and Analysis of Business Operations and Financial Performance

**OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS**

Established in 2004, mTouche Technology Berhad ("mTouche") is a telecommunication and media player based in Asia with operations in Malaysia, Singapore, Indonesia, Thailand, Hong Kong, Vietnam and Cambodia. mTouche is now a public listed company on the ACE Market of Bursa Malaysia Securities Berhad.

mTouche is also a MSC-status company which focusing on the provision of mobile value-added services to more than forty (40) Mobile Network Operators reaching out to more than six hundred (600) million subscribers. In addition, mTouche has established strong partnerships with leading music labels, content providers and engaged in the production of cutting-edge interactive Media TV formats for TV Media.

Through our subsidiaries, we are engaged in a wide range of mobile value-added services as well as digital media marketing. Our core business activities include:-

(i) mobile applications and related technology services including development of mobile content, mobile messaging technologies, billing platforms and interactive media solutions based on wireless and internet technologies;

(ii) research and development ("R&D") of software and provision of software maintenance and support services; and

(iii) managing computer data, data processing, data storage, systems design and analysis.

We aim to enhance profitability and strengthen our market presence in order to support our long term sustainability and growth. Thus, we will remain committed to providing quality solutions and services, as well as continuously improve our solution and services in order to expand our customer base and grow our business locally and regionally.

**YEAR-ON-YEAR FINANCIAL REVIEW**

| | Audited FYE2018 RM'000 | Audited FPE2017 RM'000 |
|---|---:|---:|
| **Our financial performance** | | |
| Revenue | 19,590 | 36,767 |
| Profit before tax ("PBT") | 1,814 | 2,840 |
| Profit after tax ("PAT") | 970 | 662 |
| PBT margin (%) | 9.3 | 7.7 |
| PAT margin (%) | 5.0 | 1.8 |

| | As at 30 June 2018 RM'000 | As at 30 June 2017 RM'000 |
|---|---:|---:|
| **Our financial position** | | |
| Non-current assets | 7,356 | 1,100 |
| Current assets | 91,268 | 23,000 |
| Non-current liabilities | 1,007 | 486 |
| Current liabilities | 11,086 | 12,592 |
| Equity attributable to owners of the Company | 88,270 | 12,452 |

# Management Discussion and Analysis of Business Operations and Financial Performance (cont'd)

**YEAR-ON-YEAR FINANCIAL REVIEW (CONT'D)**

For the financial year ended 30 June 2018 ("FYE2018"), the bottom line of the Group has improved with PAT of RM1.0 million, as compared with RM0.7 million in financial period ended 30 June 2017 ("FPE2017"). The improved results was mainly due to tighter cost control measurement implemented in the FYE2018 despite the Group was facing reduced revenue. Since FPE2017, the management has put in place tight control to strengthen the management oversight with cost restructuring, improve on internal process, periodic review on cash positioning, as well as improve on account receivables and payables. Certain financial and non-financial indicators pertaining to our financial performance and financial position for the FYE2018 vis-à-vis the FPE2017 are as follows:-

Revenue

Our Group's revenue decreased from RM36.8 million in FPE2017 to RM19.6 million in FYE2018, representing a decrease of 46.7%. The decrease in revenue was mainly due to the drop in performance from our major revenue contributor, namely mTouche (Thailand) Co., Ltd. As mentioned in the Forward-Looking Statement below, with the rapid changes in the mobile value-added services landscape has created a very challenging business environment to our core business. This is evidenced by the technology has been changed from features-phone to smartphone and tablets, mobile network migrated from 2G to 4G/LTE, social networking and communication from traditional voice call and Short Messaging Service/Multimedia Messaging Service (SMS/MMS) to social applications and platforms as well as many others technology enhancement which occurred in the mobile technology today.

Asides, higher revenue recorded in FPE2017 was also due to the FPE2017's revenue was made up by 18 months result given the change of financial year end from 31 December 2016 to 30 June 2017 in the previous financial period.

Notwithstanding with the abovementioned challenging business environment, our marketing team has been working very closely with the telecommunication partners to introduce new services include new game portal running on HTML5 based on SMS subscription as well as Direct Carrier Billing (DCB) basis. We will continue to assess and work closely with content partners for good quality contents for the sustainability of our core business.

Profit before tax and profit after tax

We registered PBT of RM1.8 million in FYE2018 (FPE2017: RM2.8 million). The drop in PBT was in line with the drop in revenue as mentioned above. However, PBT margin has improved to 9.3% in FYE2018 as compared to 7.7% in FPE2017. The improvement was due to our Group's effort to streamline our business operations to focus on our core business of providing mobile value-added services. The said effort was in line with our business move of disposal of our Malaysia wholly-owned subsidiaries, namely Mobile Touchetek Sdn Bhd ("MTSB") during FYE2018, as discussed below.

Asides, PAT has improved to RM1.0 million in FYE2018 from RM0.7 million in FPE2017. The higher PAT margin recorded in FYE2018 was mainly due to the effective tax expenses has improved to 46.4% in FYE2018 (FPE2017: 76.7%) which largely due to utilisation of capital allowances and tax losses previously not recognised.

Total assets

Non-current assets comprising property, plant and equipment, intangible assets and deferred tax assets which increased from RM1.1 million as at 30 June 2017 to RM7.4 million as at 30 June 2018. This was largely due to the additions of computers, intellectual property, and development cost on implementation of SAP One online accounting software and development of Digital Media and Infotainment Platform ("DMIP") during the financial year.

DMIP was referring to the collaboration with Advanced Platform Sdn Bhd and Octa Gravity Company Limited on jointly developing and marketing a range of Software-as-a-Service (SaaS) and Platform-as-a-Service (PaaS) offerings, and to obtain the exclusive rights to market and commercialise the DMIP for the market in Southeast Asia plus Hong Kong. The said additions was also in line with the proposed utilisation of proceeds raised from Rights Issues completed in November 2017, as mentioned below. The development cost incurred on the mentioned DMIP is progressing on schedule and targeted to be commercially ready by early 2019.

**YEAR-ON-YEAR FINANCIAL REVIEW (CONT'D)**

The main three product applications from the above development cost incurred are listed below:

- fcLinked, which focusing on worldwide soccer fans which enable the fans to socialise and share anything about soccer;
- Devils Tutor, an online digital advertising and modelling agency services; and
- Horolity, an online interactive horoscope applications.

On the other hand, current assets has increased from RM23.0 million as at 30 June 2017 to RM91.3 million as at 30 June 2018, mainly due to the increase in cash and bank balances and other receivables, which resulted from the completion of the rights issue exercise during FY2018, whereby the said proceeds was amounted to RM76.2 million.

Total liabilities

Non-current liabilities as at 30 June 2018 increased by approximately one fold comparing to 30 June 2017 which was resulting by the increase in finance lease liabilities and defined benefit obligations. Current liabilities comprise mainly trade and other payables. Trade payables decreased by 20.6% as compared to that of 30 June 2017 which was in tandem with the decrease in sales in FY2018. Other payables has also decreased by 8.3% given the drop in accruals.

Capital Resources

The Group has no borrowings as at 30 June 2018. Our business operations are financed by a combination of internal and external sources of funds. Internal sources of funds comprise mainly shareholders' equity and cash generated from our operations, while external source of funds comprises credit terms granted by our suppliers. Credit terms granted to us by our suppliers range from 30 to 120 days.

The management believes that after taking into account our cash and bank balances as well as the funds envisaged to be generated from our business operations, we will have adequate working capital to meet our present and foreseeable day-to-day business operation requirements.

**REVIEW OF OPERATING ACTIVITIES**

On 5 December 2016, the Company has announced the proposal to undertake a par value reduction, a share consolidation and rights issue with free warrants exercise ("Rights Issue") as well as the establishment of an employees' share option scheme (collectively the "Proposals"). The Proposals was approved by shareholders at our extraordinary general meeting on 23 January 2017. Pursuant to this, the Company had on 9 November 2017 issued 381,215,956 new ordinary shares at an issue price of RM0.20 per share, 190,607,977 Warrants C, 3,014,080 additional Warrants A and 2,173,723 additional Warrants B. The proceeds of RM76.2 million from the Rights Issue will be utilised in the following manner:-

(i) upgrading of our existing mobile value-added service platform;
(ii) development of a mobile digital ecosystem platform;
(iii) working capital;
(iv) acquisition of new office premises;
(v) regional business expansion;
(vi) acquisition and/or investment in other complementary businesses and/or assets; and
(vii) estimated expenses for the Rights Issue.

The detailed disclosure on the utilisation of proceeds arising from the Rights Issues is set out in Additional Compliance Information on page 25 of this Annual Report.

**REVIEW OF OPERATING ACTIVITIES (CONT'D)**

The Company's wholly owned subsidiary, mTouche (HK) Ltd. ("mTouche HK") has on 7 December 2017 incorporated a wholly-owned subsidiary in Hong Kong, namely mTouche E Wallet (HK) Limited ("mTouche E Wallet"), under the Companies Ordinance of Hong Kong. The paid-up capital of mTouche E Wallet is HK$ 1 comprising 1 share. Subsequent to the proposed incorporation, mTouche E Wallet shall become a wholly-owned subsidiary of mTouche HK, which in turn is a wholly-owned subsidiary of the Company. The intended principal activities of mTouche E Wallet is to provide digital wallet platform services to allow consumers to make electronic transactions, this can include purchasing items on-line with computer or using a smartphone as well as the bank account of consumers can also be linked to the digital wallet.

The Company has on 29 June 2018 entered into a share sale agreement with Ultimate Development Limited for the disposal of its 100% equity interest comprising 3,500,000 ordinary shares in MTSB for a total cash consideration of RM2,000. The said disposal of MTSB comes as part of mTouche's decision to dispose of its non-performing investment due to MTSB has recorded a consecutive financial loss for the past four financial years. Further, as mentioned above, the Company wishes to streamline the core business due to rapid changes in the mobile value-added services for the last fifteen (15) years with tremendous technology enhancements which have changed the lifestyle of many people as well as created a very challenging business environment to the core business.

Hence, the Board and Management are of the view that it is in the Company's best interest to allocate its resources towards strengthening its core business of other profit generating subsidiaries in the provision of the mobile content and other mobile value-added services as well as other new business opportunities. In this context, the Group has the intention to embark on a few development and potential investment to expand its product and service offering catering to the current and future needs of the digital economy market.

As such, the Company is in the midst of reviewing the below two investment opportunities::

i) Digital Media marketing rights for Asia Pacific markets on 'Iconic Treasures Historical collection' contents form for Soccer, Football (Rugby) and Motorsports from an Australian based company ("Licensor")

   Licensor had acquired the licensing rights from respective licensed holders to develop, promote and market the Iconic Treasures Soccer, Australian Football League ("AFL") & Motor Vehicle Historical Collection contents in the forms of hard book and/or any digital form of eBook (electronic book).

   This involve development of E-commerce Applications for mobile and other devices that can download and receive digital copy and/or hard book promotions and sales which covering the regions of China, Hong Kong, Macau, Taiwan, Korea, Japan, Indonesia, Thailand, Philippines, Vietnam, India, Cambodia, Singapore and Malaysia.

ii) Global Data SIM solutions, services and marketing rights for global market from a Hong Kong based company ("Provider")

   The Provider is a technology company specializing in telecommunication solution and platform, has over a number of years developed and market telecommunication solution and platform for voice, text messaging and data services.

   The Provider has developed a full-fledged Global Data SIM solution and platform and have file protection of its intellectual property right to such solution and platform.

The Letter of Intention ("LoI") has been signed on 19 December 2017 and 3 January 2018 respectively for both of the business investment. The Company has granted an exclusivity period of twelve (12) months period from the date of LoI in conducting financial and legal due diligence, business feasibility study, as well as negotiations amongst the parties.

Our Audit Committee and Board of Directors is currently reviewing the market valuation and researches as well as the terms and conditions imposed on the potential investments. The said potential business opportunities are expectedly increase our solution and service offerings, and allows our Group to penetrate new market segments, and also provide a recurring income to our Group. We endeavour to keep our stakeholders updated on the above as well as new developments through appropriate announcements through Bursa Malaysia and quarterly report updates.

**REVIEW OF OPERATING ACTIVITIES (CONT'D)**

As for the Memorandum of Understanding ("MoU") entered by the Company with G.I.S. Park (Thailand) Company Limited ("G.I.S") to establish collaboration and explore business opportunities between mTouche (Thailand) Co., Ltd. and G.I.S, and A Conceptech Sdn Bhd, a technology-focused higher learning facility based in Malaysia, to provide an Online-to-Offline (O2O) to International Education Hub with Artificial Intelligence (A.I.) and Blockchain Platform technology to the South East Asia and Hong Kong markets, on 10 April 2017 and 2 October 2017 respectively has been expired as at the date of this Annual Report, the said parties have decided not to extend the MoU upon the expiry given that there were certain issues relating to the due diligence review on the investment and monetisation which could not be resolved to the satisfaction of mTouche.

**RISK PROFILES**

We highlight below the key anticipated or known risks that our Group is exposed to that may have a material effect on our operations, performance, financial condition and liquidity. Our plans and strategies to mitigate these risks have also been disclosed below:-

(i) Business risks

Our Group is principally involved in the provision of mobile value-added services. It is subject to the risks inherent to the information technology and telecommunications industries. These include, amongst others, changes in telecommunication infrastructure, changes in laws and regulations applicable to the telecommunication business, availability of skilled personnel, introduction of new technological products and services as well as slowdown in growth in certain segments of the telecommunication industry in countries that we operate in. There can be no assurance that any material changes to these factors will not have a material adverse effect on the business operations of our Group.

Nevertheless, our Group has been taking effective measures to mitigate the aforementioned risks such as prudent financial management and efficient operating procedures. Further, we constantly keep abreast of economic and regulatory changes in relevant countries.

(ii) Foreign exchange risks

Our business operations are in Malaysia, Thailand, Indonesia, Vietnam, Singapore, Hong Kong Philippines, and Cambodia, this will expose us to foreign exchange risks in the event of repatriation of profits from other countries back to Malaysia. There is no assurance that any foreign exchange fluctuation will not have an adverse impact on our earnings.

Although we do not actively hedge our Group's foreign currency exposure, we will continue to assess the need to utilise financial instruments to hedge our currency exposure, taking into consideration factors such as foreign currency, exposure period and transaction costs. For the FY2018, our Group has not encountered any significant foreign currency exchange fluctuation that has resulted in material adverse impact on our Group's financials.

(iii) Rapid technological changes / product changes

Our ability to keep pace with rapid technological development in the telecommunications industry will affect our earnings. The mobile technology industry is characterised by rapid technological changes due to changing market trends, evolving industry standards, new technologies and emerging competition.

Our Group's performance is dependent on our ability to enhance existing software products and services to respond to the constantly changing technological environment. There is no assurance that our products and services will achieve market acceptance or able to compete with competitors. Such circumstances may affect the financial performance of our Group.

Our Company seeks to limit these risks through our continuous investment in R&D activities in order to remain technologically relevant and meet market's expectations.

# Management Discussion and Analysis of Business Operations and Financial Performance (cont'd)

**RISK PROFILES (CONT'D)**

(iv) Competition risks

We continue to face competition from existing and new competitors who may be capable of offering similar solutions. Whilst we strive to remain competitive, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance.

Nevertheless, our Group strives to maintain our competitive edge by ensuring the quality of our solutions and services through stringent quality assurance procedures. We also continuously place importance on improving our solutions and services by investing in R&D activities.

**FORWARD-LOOKING STATEMENT**

After reaching 3.1 percent in both 2017 and 2018, global growth is expected to decelerate over the next two years as global slack dissipates, major central banks remove policy accommodation, and the recovery in commodity exporters matures. Amid moderating international trade and tightening global financing conditions, growth in emerging market and developing economies is projected to plateau, reaching 4.7 percent in 2019 and 2020, up from 4.5 percent in 2018. In Asia, domestic demand remained an important source of growth amid persistent weakness in external demand. Asides, due to the increasingly competitive landscape in the mobile value-added services industry, the financial performance of the Company has suffered in recent years. Despite, the rapid growth in the mobile industry and technology had also caused consumers to consistently lookout for new content and applications. As a result, the Company has to constantly offer new and engaging content to remain relevant and competitive.

*(Source: www.worldbank.org)*

Demand for mobile content and solutions is expected to be driven by the following factors:

- increasing mobile phone and penetration rate;
- virtualisation of physical functions such as shopping and payment where these functions can now be performed online;
- growing usage of mobile content and solutions to include mobile social networking, mobile banking, mobile advertising and text voting; and
- growing popularity of mobile apps/content.

Mobile phone usage has proliferated in recent years. Some areas of the world have enjoyed rapid deployment and high penetration of mobile telephony. With the sheer size of smartphone market, it influences the economic growth in a country and provides job opportunities in the economic chain.  The market opportunities for mobile phone software and mobile contents are huge and attractive. Regardless of the macro impact of the smartphone market, the demands largely depend on the individual consumers. Hence, an understanding of the smartphone market and trends from the perspective of consumers are valuable.

The number of mobile broadband subscriptions is expected to double to 8.3 billion globally by 2022, from 4.2 billion in 2017. The growth in smartphone mobile subscriptions is made possible by access to cheaper smartphones and better wireless networks. Smartphones accounted for 80% of all mobile phones sold in the first quarter of 2017. Currently, 80.0% of the world's population could potentially connect to a mobile broadband network. Smartphone subscriptions surpassed those for basic phones globally in 2016, and approximately 55.0% of mobile subscriptions are now for smartphones.

*(Source: Independent Market Research Report prepared by Providence Strategic Partners Sdn Bhd)*

# Management Discussion and Analysis of Business Operations and Financial Performance (cont'd)

**FORWARD-LOOKING STATEMENT (CONT'D)**

As for the new businesses investment under consideration, the Company sees Asia Pacific is expected to be one of the most potential markets for licensed sports goods owing to rising disposable income, high population density, and rising number of sports loving people who are ready to pay considerable amounts for products that are original. It is anticipated to be the fastest developing region due increasing demand for licensed sporting goods in the developing economies of the China and India. China was the major contributor to the growth of the Asia Pacific licensed sports merchandise market. Collectively, these factors have propelled the growth of the licensed sports merchandise market in Asia Pacific. Thus, the growth potential of retail sales of print and digital sports publications via e-commerce in Southeast Asia is attractive and will bode well for the prospects of mTouche's entry into this industry.

Asides, for the global market size of SIM cards for business travellers and tourists is a function of tourist arrivals as every tourist is a potential customer for short-term internet access. International tourist arrivals (comprising both business travellers and leisure tourists) increased from 951.8 million in 2010 to 1.3 billion in 2017 at a CAGR ("Compound Annual Growth Rate") of 4.8%. International tourist arrivals in the Asia Pacific region during this period outperformed the global CAGR (6.5% versus 4.8%). International tourist arrivals in Europe and the Americas registered CAGRs of 4.7% and 4.6% respectively between 2010 and 2017.

*(Source: Independent Market Research Report prepared by Providence Strategic Partners Sdn Bhd)*

The market for short-term internet access for business travellers and tourists represents a major revenue opportunity for telecommunication operators. The projected trend in international tourist arrivals by 2030 represents the growth potential of SIM cards for business travellers and tourists. Again, this is anticipated to bode well for mTouche's entry into the business of providing short-term internet access for business travellers and tourists, as it can further leverage on its presence in key markets in Southeast Asia to seize opportunities to grow this business.

These businesses move sustained growth underpins our prospects for the coming years and we aim to capture the opportunities in the local and regional markets.

# Corporate Governance Overview Statement

The Board of Directors ("Board") presents this Statement to provide shareholders and investors with an overview of the corporate governance ("CG") practices of the Group during the financial year ended 30 June 2018 ("FYE2018"). This overview takes guidance from the key CG principles set out in the Malaysian Code on Corporate Governance 2017 ("MCCG").

This Statement is prepared in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and is to be read in conjunction with the CG Report 2017 ("CG Report") which is available on the Group's website at www.mtouche.com ("the Group's website").

The CG Report provides the explanations on how the Group applied each Practice set out in the Code during FYE2018.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS**

**(a) Board Responsibilities**

The Board acknowledges and fully supports the importance of corporate governance in directing and managing the businesses and affairs of the Group, and to safeguard and enhance shareholders' value and performance of the Group on a sustainable and long-term basis.

The Board determines the Group's strategic objectives and ensures that required resources are in place for the Group to meet its objectives and to guide the Group on its short and long-term goals, providing advice, stewardship and directions on the management and business development of the Group. The Board also sets the Group's values and standards and ensures that its obligations to the shareholders and other stakeholders are understood and fulfilled.

The above roles and responsibilities of the Board is formalised in the Board Charter. It sets out the Board's strategic intent and outlines the roles and responsibilities of the Board and the standard of conduct expected of the Board. The Board Charter is reviewed periodically to be aligned with current circumstances, the Company's policies and applicable rules and regulations. More information on the Board Charter can be found on the Group's website.

In furtherance of the above and to ensure orderly and effective discharge of its functions and responsibilities, the Board delegates and confers some of the Board's authorities and discretion on the Executive Directors ("ED") as well as on properly constituted Committees comprising Non-Executive Directors which operate within the clearly defined terms of reference.

The Board Committees consist of Audit Committee ("AC"), Nomination Committee ("NC") and Remuneration Committee ("RC") . The power delegated to the respective Board Committees are set out in the Terms of Reference of each of the committees which are available on the Company's website.

In order to foster a strong governance culture in the Group and to ensure a balance of power and authority, the roles of the Chairman and the ED are strictly separated. The Chairman, Y.M. Raja Hizad Bin Raja Kamarulzaman leads and manages the Board by focusing on strategy, governance and compliance whereas the ED, Tang Boon Koon and Chen Huei Ping manage the business and operations of the Company and implement the Board's decisions. This is also to maintain effective supervision and accountability of the Board and the Management.

The Chairman of the Company leads the Board with a keen focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. Together with the other Independent Non-Executive Directors, he leads the discussion on the strategies and policies recommended by Management. He chairs the meetings of the Board and the shareholders, and thus ensuring effective communication with the shareholders as well as the relevant stakeholders.

The EDs take on the primary responsibility of managing the Group's businesses and resources as well as overseeing and managing the day-to-day operations of the Group.

The Board has formalised the Code of Ethics for Directors and Code of Conduct for Officers and Employees ("Code of Ethics and Conduct") which reflects the Group's vision and core values of integrity, respect and trust. The core areas concerned include the following:

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**(a) Board Responsibilities (cont'd)**

- Compliance with Circulars, Guidelines and Policies
- Ensuring Information Confidentiality
- Ensuring Fair and Equitable Treatment
- Commitment to the Group, Quality and Competence
- Reporting Internal Fraud, Theft or Illegal Activities
- Conflict of Interest
- Misuse of Position and Information
- Fraudulent Records and transactions
- Unethical and Negligent Conduct

The Code of Ethics and Conduct governs the conduct of the Directors and all employees of the Group and provides guidance on the communication process and the duty to report whenever there are breaches of the same. In connection thereto, each Director is to communicate any suspected violations of this the Code of Ethics and Conduct to the Chairman of the AC and all violations will be investigated by the Board or by persons designated by the Board, and appropriate action will be taken in the event of the said violations. The Code of Ethics and Conduct is reviewed and updated from time to time by the Board to ensure that it continues to remain relevant and appropriate.

The Board recognises the importance of whistle-blowing and is committed to maintaining the highest standards of ethical conduct within the Group. In line with this commitment, the Board has formalised a Whistle-blowing Policy for the Group.

As prescribed in the said policy, the whistleblowing policy outlines the avenues for all employees or any external party to raise genuine concerns or disclose in good faith any improper conduct within the Group and to enable prompt corrective actions and measures to resolve them effectively. Any employee and member of public who has reasonable belief that there is serious malpractice relating to the matter disclosed, may direct such complaint and report to the line manager or the Chairman of the AC, either through formal or informal channels.

The Board will assure that employees' and third parties' identities will be kept confidential and that the whistle-blowers will not be at risk to any form of victimisation or retaliation from their superiors or any member of Management provided that their reporting is in good faith.

The Code of Ethics and Conduct and Whistle-blowing Policy can be viewed on the Group's website.

The Group recognises that effective succession planning is integral to the delivery of its strategic plans. It is essential to ensure a continuous level of quality in key management, in avoiding instability by helping mitigate the risks which may be associated with any unforeseen events, such as the departure of a key individual, and in promoting diversity.

Given the current state of the Group's business and lifecycle, there is an informal succession plan for key management put in place by the EDs. Going forward and at the relevant and appropriate time, the EDs will look into a structured approach to the said plan with the Board.

All Directors have unrestricted access to Senior Management on issues under their respective purview and interact directly with Management or request further explanation, information or updates on any aspect of the Company's operations or business concern from them and the service and advice of suitable qualified Company Secretaries. The Company Secretaries acts as the CG counsel and ensures good information flow within Board, Board Committees and Management. The Company Secretary attends all meetings of the Board and Board Committees whenever necessary and guides the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016, Listing Requirements, the MCCG, etc.

There are no restrictions for Directors, individually or collectively, to obtain independent professional advice if necessary, at the Group's expense to enable them to discharge their duties and responsibilities.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**(a) Board Responsibilities (cont'd)**

Non-Executive members of the Board are kept updated on the Group's activities and operations by the ED on a regular basis and all Directors have the right of access to all reports on the Group's activities, both financial and operational, in order to enhance their knowledge in respect of the Group's businesses as well as better awareness of the risks associated with the Group's operations.

The Board is aware that continuous training for the Directors is vital for them in discharging their duties effectively. All Directors are encouraged to attend appropriate external training programmes to supplement their knowledge in the latest developments and issues relevant to the Group, especially in the areas of corporate governance and regulatory requirements.

There were also briefings by the External Auditors and the Internal Auditors and the Company Secretary on the relevant updates on statutory and regulatory requirements from time to time during the Board meetings. During the FYE2018, all Director have attended and completed the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities"), training and seminar programme covering the topics on finance, governance, corporate and global business and industry developments, which they have individually or collectively considered as relevant in the discharge of their duties as Directors of the Company.

Details of the internal or external training programmes, seminars and/or conferences attended by the Directors at the end of FYE2018 were as follows:

| Directors | Training Programmes/Seminars/Conferences |
|---|---|
| Y.M. Raja Hizad Bin Raja Kamarulzaman | • Driving Financial Integrity & Performance - Enhancing Financial Literacy<br>• Seminar by SJGT : Malaysian Code of Corporate Governance 2017 and Sustainability Report<br>• Corporate Governance Briefing Sessions : MCCG Reporting & CG Guide |
| Tang Boon Koon | • Seminar by SJGT : Malaysian Code of Corporate Governance 2017 and Sustainability Report |
| Chen Huei Ping | • Corporate Governance Briefing Sessions : MCCG Reporting & CG Guide |
| Yong Ket Inn | • Digital Economy and Capital Market Series: Financial Technology (Fintech), Artificial Intelligence (AI), Big Data and Internet<br>• Seminar by SJGT : Malaysian Code of Corporate Governance 2017 and Sustainability Report |
| Kunamony A/P S.Kandiah | • Seminar by SJGT : Malaysian Code of Corporate Governance 2017 and Sustainability Report |

The Board (via the NC and with assistance of the Company Secretaries) shall continue to evaluate and determine the training needs of the Directors to build their knowledge so that they can be up-to-date with the development of the Group's business and industry that may affect their roles and responsibilities.

**(b) Board Composition**

The Board consists of five (5) members: three (3) Independent Non-Executive Directors ("INEDs") and two (2) Executive Directors. The present composition of the Board is in compliance with Paragraph 15.02 of the Listing Requirements and MCCG as more than half of its members are Independent Directors, which can provide a check and balance in the functioning of the Board and enhance its effectiveness.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**(b) Board Composition (cont'd)**

The Group is led by an experienced and diversified Board, which comprises professionals from various fields to bring together a balance of skills, mix of experience and expertise in area relevant to enhance the growth of Group's business. The Directors collectively bring with their wide and varied technical, legal, financial, and corporate experience to enable the Board to lead and control the Group effectively.

The NC had undertaken a review and assessment of the level of independence of the Independent Directors during the FYE2018 based on the independence criteria as defined in the Listing Requirements and is satisfied that they are able to discharge their responsibilities in an independent manner. The Independent Directors have also declared their independence to the Board and Management of the Group at a Board Meeting during the year.

Currently, none of the Independent Directors exceed the cumulative term limit of nine years. The Board has adopted a nine-year policy for Independent Directors. An Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. Otherwise, the Board must justify and seek the shareholders' approval at the Annual General Meeting ("AGM") in the event it retains the director as an Independent Director. If the Board continues to retain an Independent Director after twelve (12) years, the Board would seek shareholders' approval through a two-tier voting process.

The NC is led by the Senior Independent Non-Executive Director. The NC is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the effectiveness of the Board as a whole, the committees of the Board, the performance and contribution of each Director and key senior management on an ongoing basis and to review the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board and the independence of Independent Director.

The NC comprises wholly Independent Non-Executive Directors, as follows:-

| Directors | | Designations |
|---|---|---|
| Kunamony A/P S.Kandiah | Chairman | Senior Independent Non-Executive Director |
| Y.M. Raja Hizad Bin Raja Kamarulzaman | Member | Independent Non-Executive Director |
| Yong Ket Inn | Member | Independent Non-Executive Director |

The Board (via the NC) undertakes annual evaluation to determine the effectiveness of the Board. The Board evaluation comprises a Board Assessment, Board Committees' Assessment, an Individual Assessment and an Assessment of Independence of Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities. This assessment which is done annually is facilitated by the Company Secretaries and conducted on a peer and self-evaluation basis through questionnaires circulated to the Directors.

Completed questionnaires and the results of the evaluations are collated into a report and provided to all Directors and deliberated on by the NC and subsequently by the Board and key issues arising thereon are identified for further action by Management.

Based on the evaluation carried out for the FYE2018, the NC was satisfied with the existing Board composition and concluded that each Directors has the requisite competence to serve on the Board and has sufficiently demonstrated their commitment to the Company in terms of time and participation during the year under review, and recommended to the Board the re-election of retiring Directors at the Company's forthcoming AGM. All assessments and evaluations carried by the NC in discharge of its functions were properly documented.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**(b) Board Composition (cont'd)**

The attendance record of the Directors at Board of Directors and Board Committee meetings for the financial year ended 30 June 2018 is set out as follows:-

| Meeting Attendance | Board | AC | NC | RC | AGM |
|---|---|---|---|---|---|
| Y.M. Raja Hizad Bin Raja Kamarulzaman | 7/7 | 7/7 | 1/1 | 1/1 | 1/1 |
| Yong Ket Inn | 7/7 | 7/7 | 1/1 | 1/1 | 1/1 |
| Kunamony A/P S.Kandiah | 7/7 | 7/7 | 1/1 | 1/1 | 1/1 |
| Tang Boon Koon | 7/7 | - | - | - | 1/1 |
| Chen Huei Ping | 7/7 | - | - | - | 1/1 |

Each of the present members of the Board have complied with the Listing Requirements of not holding more than five (5) directorships in public listed companies and the Board is satisfied that the current number of other directorships held by the Directors does not impair their ability in discharging their responsibilities to the Company.

The Board has established Board Diversity Policy as set out in the Board Charter of the Company and is of the view that, while it is important to promote boardroom diversity in terms of gender, age and ethnicity, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority.

The Board currently has one (1) woman among its five (5) members. The Board opined that given the current state of the Group's business and lifecycle, it is more important to have the right mix of skills, knowledge, experience and expertise on the Board rather than to attaining the 30% threshold as stipulated in MCCG.

Nevertheless, the Board supports the initiative to include woman representation on the Board to achieve a more gender diversified Board, henceforth, the Board is on the look for potential women Directors and shall appoint additional women Directors as and when suitable candidates are identified. No timeframe has been set for the search concerned.

The Board is committed to provide fair and equal opportunities and nurturing diversity at all levels within the Group. In this respect, all persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with appropriate experience and qualifications will be considered equally during recruitment and promotion, remuneration and training. The Board is also committed to workplace diversity ensuring that we value and respect our differences and that our workplace is fair, accessible, flexible and inclusive and free from discrimination.

Diversity of the Board's composition is important to facilitate optimal decision-making by harnessing different insights and perspectives.

**(c) Remuneration**

The Board (via the RC) will ensure that the Group's levels of remuneration commensurate with the skills and responsibilities expected of Senior Management as well as the Directors and that it must be sufficient to attract and retain talent needed to run the Group successfully. The Board, as a whole, determines the remuneration of the Directors and each individual Director plays no part in determining his/her own remuneration and shall abstain from discussing his/her own remuneration.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**(c) Remuneration (cont'd)**

The RC comprises wholly Independent Non-Executive Directors, as follows:-

| Directors | | Designations |
|---|---|---|
| Y.M. Raja Hizad Bin Raja Kamarulzaman | Chairman | Independent Non-Executive Director |
| Kunamony A/P S.Kandiah | Member | Senior Independent Non-Executive Director |
| Yong Ket Inn | Member | Independent Non-Executive Director |

The RC is guided by market norms and industry practices when making recommendations for the compensation and benefits of Directors and Senior Management. The RC would recommend the Directors' remuneration (including non-executive director) for Board's approval while the Directors' remuneration payable to the Board of Directors of the Company and its subsidiaries would be tabledat the AGM for shareholders' approval in line with the provision of its Constitution and the Companies Act 2016.

The Board has adopted a Remuneration Policy to support the Directors and key senior management in carrying out their responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's objective in this respect is to offer a competitive remuneration package in order to attract, motivate and retain persons of high calibre who will manage and drive the Company's success. The details of the Group's remuneration policies are included in the Board Charter available on the Group's website.

The Remuneration of the Executive Directors should be set at a competitive level to recruit and retain high quality executive directors and senior management. Individual pay levels shall reflect the performance of the group, market conditions and the individual's skills and experience as well as responsibility undertaken. It is to ensure that the linkage between pay and performance is robust.

The remuneration package of the Executive Directors consists of monthly salary, bonus and benefits-in-kind such as company car and the benefit of Directors and Officers Liability Insurance in respect of any liabilities arising from acts committed in their capacity as Directors and Officers of the Company.

As for Non-Executive Directors, the remuneration should take into account fee levels and trends for similar positions in the market and the time commitment required from the director. Such packages should take into consideration any additional responsibilities undertaken such as a director acting as chairman of the board, chairman of a board committee or as the senior independent director.

Details of the Directors' Remuneration (including benefits-in-kind) of each Director during the FYE2018 are as follows:

i) Aggregate Directors' Remuneration

| | Group | | Company | |
|---|---|---|---|---|
| **Categories of remuneration** | **Executive Directors RM** | **Non-Executive Directors RM** | **Executive Directors RM** | **Non-Executive Directors RM** |
| Director Fees | 260,000 | 98,000 | 260,000 | 98,000 |
| Salaries | 152,000 | - | 152,000 | - |
| Other emoluments | 165,447 | 35,901 | 165,447 | 35,901 |
| **Total** | **577,447** | **133,901** | **577,447** | **133,901** |

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**(c) Remuneration (cont'd)**

ii) Analysis of Directors' Remuneration

Total remuneration of Directors in respect of the FYE 2018, in bands of RM50,000 is tabulated below:

| Range of remuneration (RM) | Group Executive Directors | Group Non-Executive Directors | Company Executive Directors | Company Non-Executive Directors |
|---|---|---|---|---|
| Up to 50,000 | - | 3[a] | - | 4[a] |
| 50,001 – 100,000 | - | 1 | - | - |
| 100,001 – 150,000 | - | - | - | - |
| 150,001 - 200,000 | - | - | - | - |
| 200,001 – 250,000 | 1 | - | 1 | - |
| More than 250,000 | 1 | - | 1 | - |

iii) Breakdown of Directors' Remuneration (Company)

| | Director Fees (RM) | Salary, Bonus (RM) | EPF, SOCSO and EIS Contribution (RM) | Benefit* (RM) | Total (RM) |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Tang Boon Koon | 260,000 | 50,000 | - | 61,681 | 371,681 |
| Chen Huei Ping | - | 182,000 | 23,766 | - | 205,766 |
| **Total** | **260,000** | **232,000** | **23,766** | **61,681** | **577,447** |
| **Non-Executive Directors** | | | | | |
| Y.M. Raja Hizad Bin Raja Kamarulzaman | 30,000 | - | - | 8,000 | 38,000 |
| Yong Ket Inn | 27,500 | - | - | 11,901 | 39,401 |
| Yeap Teik Pung[a] | 2,500 | - | - | - | 2,500 |
| Kunamony A/P S.Kandiah | 38,000 | - | - | 16,000 | 54,000 |
| **Total** | **98,000** | **-** | **-** | **35,901** | **133,901** |

* Insurance Premium and Company Car instalment paid by the Company.
[a] Include Non-Executive Director who have resigned during FPE 2017

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**(c) Remuneration (cont'd)**

iv) Breakdown of Directors' Remuneration (Group)

| | Director Fees (RM) | Salary, Bonus (RM) | EPF, SOCSO and EIS Contribution (RM) | Benefit* (RM) | Total (RM) |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Tang Boon Koon | 260,000 | 50,000 | - | 61,681 | 371,681 |
| Chen Huei Ping | - | 182,000 | 23,766 | - | 205,766 |
| **Total** | **260,000** | **232,000** | **23,766** | **61,681** | **577,447** |
| **Non-Executive Directors** | | | | | |
| Y.M. Raja Hizad Bin Raja Kamarulzaman | 30,000 | - | - | 8,000 | 38,000 |
| Yong Ket Inn | 27,500 | - | - | 11,901 | 39,401 |
| Yeap Teik Pung[a] | 2,500 | - | - | - | 2,500 |
| Kunamony A/P S.Kandiah | 38,000 | - | - | 16,000 | 54,000 |
| **Total** | **98,000** | **-** | **-** | **35,901** | **133,901** |

* Insurance Premium and Company Car instalment paid by the Company.
[a] Include Non-Executive Director who have resigned during FPE 2017

The Company notes the need for transparency in the disclosure of its key senior management remuneration, the Company is of the opinion that the disclosure of remuneration details may be detrimental to its business interests, given the competitive landscape for key senior management personnel with the requisite knowledge, technical expertise and working experience in the Company's business activities. Apart from that, the said disclosure may also attract unnecessary head-hunting activities from competitors which will ultimately jeopardize on the Group's operations.

The Company is of the view that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the information on key senior management personnel and their remuneration.

The ED is also the key senior management of the Company, whose remuneration has been included in the disclosure under the Directors' Remuneration above.

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

**(a) AC**

The AC currently comprises of three members, all of whom are Independent Non-Executive Directors. The AC Chairman is Mr Yong Ket Inn and none of the current members of the AC is a former key audit partner involved in auditing the Group. The AC has adopted a policy as stipulated in Practice 8.2 of the MCCG that the said key audit partner observed a cooling-off period of at least two years before being appointed a member of the AC and the said policy has been incorporated in the Terms of Reference of the AC, a copy of which is available on the Company's website.

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)**

**(a) AC (cont'd)**

The AC complies with the recommendation of the MCCG requiring all members to be independent and at least one member fulfils qualifications prescribed by the Listing Requirements. There is a strong element of independence to fulfil their role objectively and provide a critical and sounding view in ensuring the integrity of financial controls and integrated reporting, and identifying and managing key risk. All members of the AC are financially literate and assist the Board to oversee and scrutinise the process and quality of the financial reporting and ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards.

The AC's policies and procedures to review, assess and monitor the performances, suitability and independence of the external auditors. Prior to the commencement of the annual audit, the AC shall seek confirmation from the external auditors as to their independence. This independence confirmation would be re-affirmed by the external auditors to the AC upon their completion of the annual audit. These confirmations were made pursuant to the independence guidelines of the Malaysian Institute of Accountants.

The Board maintains a transparent and professional relationship with the external auditors, with the AC responsible for recommending the appointment or removal of external auditors and the terms of their engagement to the Board.

During FYE2018, the external auditors had private sessions with the AC without the presence of Management to exchange views and opinions in relation to the Group's audit and financial reporting.

Based on the AC's assessment of the external auditors, the Board is satisfied with the quality of service and adequacy of resources provided by the external auditors in carrying out the annual audit for FYE2018. In view thereof, the Board has recommended the re-appointment of the external auditors for the approval of the shareholders at the forthcoming 14th AGM.

Further details on the work performed by AC in furtherance of its oversight role are set out in the AC Report on pages 27 to 29 of this Annual Report.

**(b) Risk Management and Internal Control Framework**

The Board fulfils its responsibilities in the risk governance and oversight functions via a risk management framework which adopts a structured and integrated approach in managing key business risks. This framework together with the system of internal control are designed to manage the Group's risks within its risk appetite rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives.

The AC oversees the risk management framework of the Group, reviews the risk assessment and management policies formulated by Management regularly together with the Internal Auditors and makes relevant recommendations to Management to update the Group Risk Profile. The AC also discusses with the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation, and makes relevant recommendations to the Board to manage residual risks.

As for the adequacy and effectiveness of the system of internal control, it is reviewed by the AC with assistance from the internal auditors. The internal audit function is outsourced to an independent professional consulting firm, namely Kloo Point Risk Management Services Sdn. Bhd. to provide an independent and objective assurance on the effectiveness of governance, risk management processes and internal control system of the Group. The internal auditors' independence is maintained by reporting functionally to the Board through the AC and administratively to Management. The responsibilities of the Internal Auditors include providing independent and objective reports on the state of internal controls and the significant operating units in the Group to the AC, with recommendations for improvement to the control procedures, so that remedial actions can be taken in relation to weaknesses noted in the systems. Internal audit reports which are issued have to be tabled to the AC for review and Management is required to be present at AC meetings to respond and provide feedback on the audit findings and recommended improvements. In addition, Management is also required to present to the AC in meeting, status updates on significant matters and changes in key processes that could impact the Group's operations.

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)**

**(b) Risk Management and Internal Control Framework (cont'd)**

The Board also reviews all significant litigation, actions, transactions, issues, papers and reports to external parties which may impact the Group directly or indirectly. This is to ensure that there are no adverse public, governmental or regulatory effects arising thereon. The AC also works closely with the internal and external auditors to review and improve the system of internal control from time to time with the objective to safeguard the assets of the Group and to ensure proper accountability at all levels of operation.

Based on the above, the Board is of the view that the risk management process and system of internal control were in place during FYE2018 for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group.

Further details of the risk management and internal control framework are set out in the Statement on Risk Management and Internal Control on pages 30 to 32 of this Annual Report.

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

**(a) Communication with Stakeholders**

The Board is committed to ensuring that communications to stakeholders and the investing public in general is timely and factual and are available on an equal basis. The Board is also aims to maintain a positive relationship with the different group of stakeholders through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the Group, its core businesses and operations, thereby, enabling investors to make informed decisions in valuing the Company's shares.

The release of announcements and information by the Group to Bursa Securities, is handled by the EDs and/or the Company Secretaries within the prescribed requirements of the Listing Requirements.

The Group leverages on a number of formal channels for effective dissemination of information to the shareholders and other stakeholders, particularly via annual reports, circulars or statements to shareholders, quarterly and annual financial statements, and announcements from time to time. As these announcements and information can be price-sensitive, they are only be released after having reviewed by the ED and/or the Board where necessary.

The Group's website also provides all relevant information to stakeholders and the investing community. Quarterly and annual financial statements, announcements, financial information, annual reports, and circular/statements to shareholders are uploaded onto the website for investors and the public's information.

Any shareholders' queries or concerns relating to the Group may be conveyed to our ED at our principal place of business as detailed below:

Lot 11.3, 11th Floor,
Menara Lien Hoe,
No. 8 Persiaran Tropicana,
Tropicana Golf & Country Resort,
47410 Petaling Jaya,
Selangor Darul Ehsan, Malaysia
Email: my_info@mtouche.com
Phone: (03) 7886 0100
Fax: (03) 7886 0122

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)**

**(a) Communication with Stakeholders (cont'd)**

Our AC Chairman is designated by the Board to be the contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channels of contact with the ED. The AC Chairman is contactable via his e-mail at yongki@mtouche.com

**(b) Conduct of General Meetings**

The AGM serves as a principal forum for the Group's dialogue with shareholders. All shareholders are encouraged to attend the AGM, during which they can participate and given the opportunity to ask questions and vote on important matters affecting the Group, including the election/re-election of Directors, business operations, and the financial performance and position of the Group.

All Directors (which include the Chairs of all mandated Board committees) shall endeavour to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company at the AGM. The senior management and external auditors will also be present at the meeting to answer shareholders' queries on their audit process and report, the accounting policies adopted by the Group, and their independence.

In line with Practice 12.1 of the Code, the Company's Notice of the 14th AGM and the Annual Report is sent to shareholders at least 28 days prior to the meeting so that shareholders are given sufficient time to consider the resolutions that will be discussed at the AGM.

The Company shall conduct the forthcoming AGM by poll or electronic voting instead of voting by show of hands as practised previously in compliance with the Listing Requirements. The outcomes of the polls on the proposed resolutions will be announced to the Bursa Securities and posted on the Group's website after the AGM.

The Company's share registrar is well equipped to facilitate the conduct of a poll and the Company will ensure at least one independent scrutineer is appointed to validate the votes cast at the meeting.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board on 29 October 2018.

# Additional Compliance Information

## 1. UTILISATION OF PROCEEDS

The Company has undertaken renounceable rights issue with free detachable warrants ("Warrants C") which was completed on 9 November 2017 following the listing and quotation of 381,215,956 ordinary shares, 190,607,977 Warrants C, 3,014,080 additional Warrants A and 2,173,723 additional Warrants B on the ACE Market of Bursa Securities ("Rights Issue"). The Right Issues has raised gross proceeds of RM76.24 million. Status of utilisation of proceeds derived from the corporate proposal by the Company as at 30 June 2018 was as follows:-

| Purpose | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Unutilised Proceeds RM'000 | Intended Timeframe for Utilisation | Deviation amount RM'000 | % | Explanation (if the deviations > 5%) |
|---|---|---|---|---|---|---|---|
| Upgrading of existing Mobile Value Added Service Platform | 2,500 | 1,263 | 1,237 | within 12 months | - | - | N/A |
| Development of a Mobile Digital Ecosystem Platform | 7,500 | 5,762 | 1,738 | within 18 months | - | - | N/A |
| Working Capital | 3,035 | 1,585 | 1,450 | within 24 months | - | - | N/A |
| Acquisition of new office premises | 7,500 | - | 7,500 | within 24 months | - | - | N/A |
| Regional business expansion | 12,000 | - | 12,000 | within 24 months | - | - | N/A |
| Acquisition and/or investment in other complementary business and/or assets | 42,708 | 35,200 | 7,508 | within 24 months | - | - | N/A |
| Expenses in relation to the Corporate Exercise | 1,000 | 1,000 | - | Immediate | - | - | N/A |
| **Total** | **76,243** | **44,810** | **31,433** | | | | |

Save for the above, no proceeds were raised from corporate proposal during the financial year ended 30 June 2018 ("FYE2018").

## 2. AUDIT AND NON-AUDIT FEES

The audit and non-audit fees paid or payable to the external auditors for FYE2018 are as follows:-

| Details of fees | Group (RM) | Company (RM) |
|---|---|---|
| Statutory Audit Fees | 121,000 | 109,000 |
| Non-Audit Fees | 10,000 | 10,000 |
| **Total** | **131,000** | **119,000** |

**3. MATERIAL CONTRACTS**

Save as disclosed below, there are no other material contracts entered into by the Company and its subsidiaries involving Directors and/or major shareholders' interests which were still subsisting at the end of the financial year or since the end of the previous financial year:-

- The share sale agreement dated 29 June 2018 entered into between the Company (as vendor), and Ultimate Development Limited (as purchasers) in relation to the disposal of its 100% equity interest comprising 3,500,000 ordinary shares in Mobile Touchetek Sdn. Bhd. for a total cash consideration of RM2,000.00. The sale and purchase transaction was completed on 29 June 2018.

**4. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE**

There were no recurrent related party transactions of revenue nature entered into during the FYE2018.

**5. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")**

The ESOS of the Company was approved by the shareholders at the Extraordinary General Meeting held on 23 January 2017 and is governed by the By-laws.

The ESOS shall be in force for a period of five (5) years from the effective date and may be extended for such further period, at the sole and absolute discretion of the Board upon the recommendation by the ESOS Committee, provided always that such extension of the scheme made pursuant to the By-laws shall not in aggregate exceed a duration of ten (10) years or such other period as may be prescribed by Bursa Malaysia Securities Berhad or any other relevant authorities from the effective date of the ESOS.

The ESOS was implemented on 13 November 2017 and no options or shares has been granted under the ESOS scheme thus far.

The details of ESOS is set out in Note 30 to the financial statements on page 122 of the Annual Report 2018.

# Audit Committee Report

The Audit Committee ("AC") was established to act as a committee of the Board of Directors ("Board") with the primary objective of assisting the Board in fulfilling its fiduciary duties in relation to:

- Assessing the processes in relation to the risk and control environment;
- Implement and support the oversight function of the Board in relation to overseeing financial reporting and internal controls; and
- Evaluating the internal and external audit processes.

## COMPOSITION AND MEETINGS

The members of the AC during the financial year ended 30 June 2018 ("FYE2018") together with their attendance record at meetings held during FYE2018 are as follows:

| Name | Designation | Status of Directorship | No. of meetings attended/No. of meetings held* | Percentage |
|---|---|---|---|---|
| Yong Ket Inn | Chairman | Independent Non-Executive Director | 7/7 | 100% |
| Y.M. Raja Hizad Bin Raja Kamarulzaman | Member | Independent Non-Executive Director/ Chairman | 7/7 | 100% |
| Kunamony A/P S.Kandiah | Member | Senior Independent Non-Executive Director | 7/7 | 100% |

** Number of meetings held during the respective member's tenure of office during FYE2018*

Whilst the AC's terms of reference require the AC to meet at least four times in a financial year, it met seven times during FYE2018. The Company Secretaries who are also the Secretaries to the AC were in attendance during the meetings. Senior members of Executive Management, if necessary, were invited to the meetings to deliberate on matters within their purview.

After each meeting, the AC Chairman submits a report on matters deliberated to the Board for their reference and notation. Matters reserved for the Board's approval are tabled at Board meetings. The Company Secretaries then document the decisions made and actions required and forward them to Executive Management for their action.

## SUMMARY OF ACTIVITIES

The following activities were carried out by the AC in the discharge of its functions and duties to meet its responsibilities for FYE2018:

**(a) Financial Results/Audited Financial Statements**

- Reviewed and recommended the quarterly financial results of the Group (including announcements) and the annual financial statements of the Group and Company and ensure, amongst others, that it complies with applicable financial reporting standards prior to submission to the Board of Directors for consideration and approval.

- Deliberated on significant matters raised by the external auditors including financial reporting issues, significant judgements made by Executive Management, significant and unusual events or transactions and management's reports and updates on actions recommended by the external auditors for improvement.

- Reviewed any changes in the implementation of major accounting policies and practices to the Group.

**SUMMARY OF ACTIVITIES (CONT'D)**

**(b) External Audit**

- Reviewed and approved the external auditors' scope of work and audit plan prior to commencement of the annual audit.
- Reviewed the proposed external audit fees for approval of the Board.
- Reviewed and discussed with the external auditors, the results of the audit, the audit report and findings noted in the course of their audit and reported the same to the Board.
- Evaluated the independence and performance of the external auditors and recommended their fees and re-appointment to the Board for approval. The AC is of the opinion that the independence of the external auditors has not been compromised based on the confirmation provided by the external auditors.
- Met with the external auditors without the presence of Executive Management to have a frank and candid dialogue, and to exchange free and honest views and opinions.

**(c) Internal Audit**

- Reviewed and approved the internal audit plan and the internal auditors' scope of work.
- Reviewed and discussed with the internal auditors, their audit findings, recommendation, management responses to the audit findings, proposed action plan and issues arising during the course of audit.
- Reviewed the adequacy and effectiveness of corrective actions taken by Executive Management on all significant matters raised by the internal auditors.
- Met with the internal auditors without the presence of Executive Management to have a frank and candid dialogue, and to exchange free and honest views and opinions.

**(d) Related Party Transactions**

- Reviewed potential related party transactions and conflicts of interest, if any, that may arise including any transaction, procedure or course of action or conduct that raised questions of Executive Management's integrity.

**(e) Annual Report/Other Governance Practices in the Group**

- Reviewed and issued this Report for inclusion in the Annual Report
- Reviewed the Statement on Risk Management and Internal Control on behalf of the Board for inclusion in the Annual Report.
- Reviewed the minutes of meetings of the Audit Committee.
- Reviewed the acquisition of major investment or fixed assets prior recommending the same to the Board of Directors for approval.
- Reviewed the corporate proposals to be undertaken by the Company.
- Reviewed the Terms of Reference of the Audit Committee.

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

The full details of terms of reference of the Audit Committee are published on the Company's website at http://www.mtouche.com.

**INTERNAL AUDIT FUNCTION**

The Group has outsourced its internal audit function to an independent professional consulting firm to assist the AC in discharging its responsibilities and duties. The Internal Auditors provide the Audit Committee with an independent assessment on the adequacy and effectiveness of the Group's risk management and system of internal control. Cost incurred for the internal audit function in respect of the FYE2018 amounted to RM20,000.

**INTERNAL AUDIT FUNCTION (CONT'D)**

The role of the internal audit function is to undertake independent regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems continue to operate satisfactory and effectively in the Group.

The internal auditors present their audit reports which include their findings and recommendations for improvements to the AC for its review and deliberation. The AC also appraised the adequacy of the comments, actions and measures to be taken by Executive Management in resolving the audit issues reported and recommended for further improvement.

For FYE2018, the internal audit scope covered the review of the adequacy and effectiveness of the systems of internal control of the following processes:

- Selection and evaluation of supplier
- Approval of purchase requisitions
- Purchase order processing

The internal audit activities carried during FYE2018 encompassed the following:

- Identification of risk areas in relation to the process area;
- Assessment of existing control in place;
- Identification of control weaknesses, if any;
- Identification of related risks left uncontrolled; and
- Highlight the need for improvement.

Based on the internal audits conducted, the AC and internal auditors did not detect any significant weakness which would result in material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

The details of the internal audit function are set out in the Statement on Risk Management and Internal Control of this Annual Report.

**YONG KET INN**
Chairman of Audit Committee

29 October 2018

# Statement on Risk Management and Internal Control

This Statement on Risk Management and Internal Control which has been prepared in accordance with the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) ("Guidelines") is made pursuant to Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

## BOARD RESPONSIBILITY

The Board of Directors ("Board") acknowledges that risk management and the internal control system are integral to corporate governance and that its focus on risk oversight is critical to set the right tone and culture towards effective risk management and internal control in the Group.

The Board recognises that the risk management processes and internal control system are designed to manage the Group's risks within its acceptable risk appetite, rather to eliminate the risks of failure to achieve business goals and objectives. As risks are inherent in all business activities, the Board can only ensure that the said processes and system in place provide reasonable rather than absolute assurance against the risks of material misstatement of financial information or against financial losses and fraud or breaches of laws and regulations.

The Audit Committee ("AC") assists the Board in reviewing the adequacy and effectiveness of the system of internal control in the Group while risk management is under the Board's purview.

## RISK MANAGEMENT PROCESS AND INTERNAL CONTROL SYSTEM

In order to achieve a sound system of risk management and internal control, the Board together with Management ensures that the risk management practices and processes and internal control system is embedded into the culture, processes and structures of the Group. The Board is responsible in determining the overall risk appetite and delegates the responsibility of implementing the processes for identifying, evaluating, monitoring, and reporting of risks and internal control, including taking appropriate and timely corrective actions as needed, to the Management.

The Group adopts a Three Line of Defence Model in its risk management framework.

- The first line of defence is carried out via the internal controls in places as part of the day to day operations.
- The second line of defence relates to the oversight function by both the Board and Management.
- The final and third line of defence is that of the independent assurance providers, namely the Internal Auditors. This process has been in place throughout the financial year.

As the Group operates with a relatively small number of managers and business operations being non-complex, the Board opined that the said risk management practices and processes, coupled with the Executive Directors' dominant role in the Group's operations and their vast experience in the ICT industry, are for the moment adequate to monitor, communicate and manage risks in the Group.

The Board is aware of the risks that the Group faces in achieving its strategic objectives, and it is conscious that the Group's risk appetite is tailored and proportionate to the Group. In this context, the Board has been an active participant in identifying, assessing and responding to business risks. To this end, the Board has ensured that the Group provides a control environment that includes:

### Clear roles and responsibilities

The Group has in place an organisational structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority. The roles and responsibilities of the Board is set out in the Board Charter. Committees namely AC, Nomination Committee and Remuneration Committee with clearly defined Terms of Reference are established to assist the Board to discharge its responsibilities. Authority limits within the Group facilitates accountability and supports an efficient decision-making process.

## RISK MANAGEMENT PROCESS AND INTERNAL CONTROL SYSTEM (CONT'D)

### Written communication of values

To facilitate effective and efficient operations, clear formalised internal policies and procedures are in place to support the Group to achieve its objectives. These policies and procedures serve as a guideline to ensure compliance with applicable laws and regulations, and also internal controls with respect to the conduct of business.

The Code of Ethics and Conduct spelled out that:

Our employees shall at all times comply with and observe the rules and procedures set out under this Code which includes but not limited to the following:

- Compliance with Circulars, Guidelines and Policies
- Ensuring Information Confidentiality
- Ensuring Fair and Equitable Treatment
- Commitment to the Group, Quality and Competence
- Reporting Internal Fraud, Theft or Illegal Activities

Our employees shall not conduct the following practices:

- Conflict of Interest
- Misuse of Position and Information
- Fraudulent Records and Transactions
- Unethical and Negligent Conduct

### Internal Audit

The Board is committed to articulating, implementing and reviewing the Group's system of internal control and it acknowledges the importance of the internal audit function in this process. The internal audit function has been outsourced to an independent professional service provider to assist the AC in discharging their responsibilities and duties. To ensure independence, the internal auditors report directly to the AC.

During the financial year ended 30 June 2018 ("FYE2018"), the internal audit of the Group was carried out in accordance with a risk-based audit plan approved by the AC. The internal audit provides an assessment of the adequacy, efficiency and effectiveness of the Group's system of internal control to ensure that the internal controls are viable and robust and where necessary, recommended improvements are presented to the AC for consideration.

The key elements of the Group's system of internal control include:

(i) A management organisational structure with clearly defined lines of responsibilities, authority and accountability;
(ii) Approval and authority limits are imposed on key and senior management in respect of daily operations and major non-operating transactions;
(iii) The Board and AC meet every quarter to discuss financial performances, business operations and strategies and corporate updates.
(iv) Corporate and regulatory matters are controlled centrally at Group level;
(v) An AC comprising solely of Independent Non-Executive Directors with full and unrestricted access to both internal and external auditors; and
(vi) The quarterly financial results and yearly audited financial statements are reviewed by the AC prior to their approval by the Board.

## ASSURANCE

The Board has reviewed the adequacy and effectiveness of the Group's risk management processes and system of internal control for FYE2018 and up to the date of this Statement and is of the view that the risk management processes and system of internal control are in place for the period covered by this Statement for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group.

The Executive Director is accountable to the Board for identifying risks relevant to the business of the Group, implementing and maintaining sound risk management practices and internal controls and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could affect the Group's objectives and performance.

The Executive Director (who also acting as Chief Financial Officer) has provided assurance to the Board that the Group's risk management process and internal control system were operating adequately and effectively in all material aspects, and that there were no material losses incurred as a result of any weaknesses in internal controls that would require disclosure in this Annual Report.

The Board and Executive Management will continuously improve and enhance the system of internal control to ensure its adequacy and relevance in safeguarding shareholders' interests and the Group's assets.

## REVIEW OF THIS STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirement, the external auditors have reviewed this Statement. Their review procedures were performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on the Review of Statement on Risk Management and Internal Control ("AAPG 3"), issued by the Malaysian Institute of Accountants.

AAPG 3 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management process and system of internal control. AAPG 3 also does not require the external auditors to consider whether the processes described to deal with the material internal control aspects of significant problems, if any, disclosed in this Annual Report will, in fact, remedy the problems.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines, nor is it factually inaccurate.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board dated 29 October 2018.

# Sustainability Statement

## OUR APPROACH

Sustainability has always been a pillar of the Group's culture as we strived to achieve continuing growth and profitability in a safe, caring and sustainable environment.

The Group understands that responsible corporate behaviour not only contributes to broad-based future benefits for the community and environment but can also enhance opportunities for business success for the Group as well as our stakeholders including, among others, our investors, customers and vendors. Hence, our mission as a responsible corporate citizen is to ensure high standards of governance across our business to promote responsible business practices, manage environmental impacts, and meet the social needs of the community in which we operate.

In line with Bursa Malaysia Securities Berhad's Sustainability Reporting Guide, the Group's sustainability practices are to ensure that economic, environmental and social risks and opportunities are tied in with our governance framework and social responsibilities. This enables our corporate success and behaviour to be judged and measured by the public.

Our Sustainability Statement helps us to understand where we are, what we have already done and to determine areas considered material to the Group and its stakeholders in order that we can identify further initiatives towards addressing sustainability risks and implementing sustainability opportunities.

## SUSTAINABILITY GOVERNANCE

The responsibility to promote and embed sustainability in the Group lies with the Board of Directors ("Board"). Among others, this responsibility includes overseeing the following:

- Stakeholders engagement
- Materiality assessment and identification of sustainability risks and opportunities relevant to us
- Management of material sustainability risks and opportunities

In the longer term, the Group will consider the setting-up of a governance structure that will enable the incorporation of the responsibilities for sustainability into the day-to-day operations of the Group.

## MATERIAL SUSTAINABILITY MATTERS

### Economic

<u>Shareholders</u>

Our shareholders are the ultimate owners of the Company and as such, they are entitled to timely and quality information on the Group's financial performance and position. Apart from the Annual General Meeting where shareholders are encouraged to ask questions to the Board and Executive Management on business operations, and the financial performance and position of the Group, the Group's corporate website at www.mtouche.com also provide a link on investor relations where quarterly and annual financial statements, announcements, financial information, annual reports, circulars/statements to shareholders and other pertinent information are uploaded on a timely basis when available.

<u>Marketplace</u>

The Group is committed to see that not only our shareholders' interests are taken of but also those of our customers and suppliers. In this regard, the Group values its customers feedback and continuously enhance its market position and profitability. Our marketing and sales representatives schedule regular meetings, both formal and informal, with our customers to build a strong and conducive relationship. The objective of this is to promote a culture of open communication, trust and reliability.

**MATERIAL SUSTAINABILITY MATTERS (CONT'D)**

**Economic (cont'd)**

Marketplace (cont'd)

Our Group recognises that consumers' satisfaction is one of the key factors underlying the long term sustainability of our Group's operations. It is the fundamental policy of our Group that all final products and mobile solutions launched into the market must not contain any hazardous element, and must be of high quality to ensure consumers' satisfaction. We uphold the belief that consumer rights should be preserved at all times and are on continuous endeavours to create value-for-money for the consumers. We also wish to be a responsive and reliable partner to our customers within their respective markets.

To our suppliers, the Group practises transparent and fair procurement policies so that they as our business partners know that they can depend on us.

Regulatory Compliance

Our Group believes that strict compliance with all relevant laws and regulations is a requisite to promote an ethical and responsible society. To this end, our Group strives to comply with all the relevant laws and regulations applicable to our business operations. Recognising the fact that tax is an important source of income for the government to finance the nation development activities and that everyone will stand to benefit as the nation and economy progress further, our Group places great emphasis in ensuring compliance with the applicable tax regulations and prompt settlement of our tax liabilities.

Our Group's commitment to proper compliance with laws and regulations has proven to be favourable and value-enhancing for our shareholders and stakeholders, as we minimise the exposure to lawsuits.

**Environment**

The Group is accountable for the impact of its business operations on the environment. We constantly review and monitor our operations to make a positive contribution to the environment, economic and social wellbeing of our stakeholders, employees and the broader community. Our Company is aware of the impact of our business on the environment and has taken active steps to reduce our carbon footprint on the environment.

Energy and Waste Management

In the work place, the employees have developed a culture of reducing electricity and recycling waste materials. Nevertheless, the employees are encouraged to set power save mode for desktops and notebooks, and switch off air-conditioning and lights during lunch time and after office hours.

Paper recycling initiatives are already in progress by encouraging the employees to prioritise electronic means to share and store documents, and to reduce printing or photocopying, otherwise, to use double sided printing. Additionally, other materials such as furnishing and fixture are recycled or reused where possible.

Water Saving Initiatives

Water is a limited resource, and as the world continues to advance and the global population continues to grow, an increasing strain is being placed on the supply of clean water. Water conservation is therefore an area that our Group is works hard on, both improving the efficiency with which we use our water, as well as working to educate our employees and the public about the need to conserve it.

**MATERIAL SUSTAINABILITY MATTERS (CONT'D)**

**Social**

Workforce

Human capital is pivotal to our Group's continuing success, as our dedicated workforce is key to the effective functioning of all the departments within our Group including but not limited to product design and innovation, sales and marketing, finance, administrative and other support divisions.

Hence, our Group places emphasis on the following areas, which we believe are amongst the primary considerations of an employee for long term loyalty:

- Safe and pleasant working environment: Our Group endeavours to create an inspiring, conducive and pleasant working environment for our employees as part of our policy for talent retention.

- Personal development: On-the-job training and guidance are provided to the employees, from time to time, as the need arises, so that they can execute their roles and responsibilities efficiently as well as for their career development.

- Monetary consideration: Our Group endeavours to ensure attractive remuneration package is offered to recruit and retain talents. Our Group strives to ensure that the remuneration package offered is in line with the market practice, and include all the staff welfare and benefits prescribed by the local authorities and applicable labour laws and regulations.

One of our standard operating procedure involves continuous compliance with local authorities and applicable labour laws and regulations. To this end, we strive to provide a safe and healthy environment for our employees and to ensure safe practices in all aspects of our business operations.

We will continue to focus on human capital development to nurture our employees to their full potential as they are our greatest asset. Every employee is given equal opportunity to rise up in their careers through hard work and dedication.

We also place great importance on hiring the right candidate for the right job. As part of our succession planning, we focus continuously on attracting quality talents who best fit our job requirements and complement our work culture.

Community Care

Our Group acknowledges that the long-term sustainability and growth of our business is dependent on the well-being of the community. All the key elements of our business (customers, suppliers, human capital) are originating from the community. Our Group has a continuing responsibility to the community to ensure that the Company's activities are conducive towards promoting the economic well-being of its community and are in line with government's economic objectives.

As we are deeply rooted in the community that we operate in the region, we actively engage in community outreach programmes and activities. The Group recognises that it can make a positive impact in the community by supporting meaningful causes. In this respect, as part of the Group's contribution to the society, we have donated to orphanage as well as underprivileged people's house with the purpose of enhancing their facilities as well as the living conditions.

**OUR COMMITMENT**

As a responsible corporate citizen, the Group shall endeavour to undertake sustainable and responsible practices to add value to sustainable business growth, environmental stewardship and social responsibility.

# Statement of Directors' Responsibility

**PURSUANT TO RULE 15.26(A) OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

The Board of Directors ("Board") of the Company is required by the Companies Act 2016 ("Act") to make a statement expressing an opinion on the financial statements. The Board is of the opinion that the financial statements for the financial year ended 30 June 2018 have been drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of their financial performance and cash flows for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards and the requirements of the Act.

In preparing the financial statements, the Board has:

- reviewed the accounting policies and ensured that they were consistently applied; and
- in cases where judgements and estimates were made, the judgements and estimates concerned were based on reasonableness and prudence.

The Board has relied on the Group's system of internal control to ensure that the information generated for the preparation of the financial statements from the underlying accounting records is accurate and reliable.

This Statement of Directors' Responsibility is made in accordance with a resolution of the Board dated 29 October 2018.

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# Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

**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 disclosed in Note 6 to the Financial Statements.

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

**RESULTS**

| | Group RM | Company RM |
|---|---|---|
| Profit/(Loss) for the financial year | 970,377 | (7,225,870) |
| Attributable to:- | | |
| Owners of the Company | 1,392,269 | (7,225,870) |
| Non-controlling interests | (421,892) | - |
| | 970,377 | (7,225,870) |

**DIVIDENDS**

No dividend has been paid or declared by the Company since the end of the previous financial period. The Directors do not recommend the payment of any dividend in respect of the financial year ended 30 June 2018.

**RESERVES AND PROVISIONS**

All material transfer to or from reserves and provisions during the financial year are disclosed in the financial statements.

**DIRECTORS**

The Directors who held office during the financial year and up to date of this report are as follows:-

Y. M. Raja Hizad Bin Raja Kamarulzaman (Redesignated from Non-Independent Non-Executive Director/Chairman to Independent Non-Executive Director/Chairman on 14 May 2018)
Tang Boon Koon (Executive Director) *
Chen Huei Ping (Executive Director) *
Kunamony A/P S. Kandiah (Senior Independent Non-Executive Director)
Yong Ket Inn (Independent Non-Executive Director) (Appointed on 26 July 2017)

* Directors of the Company and its subsidiaries

**DIRECTORS (Cont'd)**

The name of the Directors of the subsidiaries of the Company since the beginning of the financial year and up to the date of this report, not including those Directors listed above are:-

Chew Kok Hwa Rickyn (Singapore)
Octiva Riadi Candra (Indonesia)
Pham Thi My Hanh (Vietnam)
Tao Thi Yen Oanh (Vietnam)

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016 in Malaysia, 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 are as follows:-

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **At 1.7.2017** | **Bought** | **Sold** | **At 30.6.2018** |
| **Direct interest** | | | | |
| Tang Boon Koon | 500,000 | - | - | 500,000 |
| Chen Huei Ping | 500,000 | - | - | 500,000 |

By virtue of their interests in the Company, Tang Boon Koon and Chen Huei Ping are also deemed to have interest in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016 in Malaysia.

Other than as disclosed above, none of the other Directors in office at the end of the financial year held any interest in shares and warrants in the Company and its related corporations during the financial year.

**DIRECTORS' FEES AND BENEFITS**

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire any 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 period, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivables by Directors as shown in the Notes to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

There were no indemnity given to or insurance effected for the Directors of the Company.

**ISSUE OF SHARES AND DEBENTURES**

During the financial year, the Company issued 381,215,956 of new ordinary shares at an issue price of RM0.20 per ordinary share for a total cash consideration of RM76,243,191 via a rights issue of new ordinary shares with free detachable warrants exercise.

The new ordinary shares issued rank pari passu with the existing ordinary shares of the Company.

There were no debentures issued during the financial year.

**WARRANTS**

During the financial year, the respective exercise price and number of warrants have been adjusted in accordance with the provision of the respective deed poll as a result of the Right Issue of ordinary shares with Free Detachable Warrants.

The adjustments to the existing warrants are as follows:-

| Warrants | Exercise price per ordinary share before adjustment | Exercise price per ordinary share after adjustment | Number of warrants outstanding before adjustment | Number of warrants outstanding after adjustment |
|---|---|---|---|---|
| Warrants 2010/2020 | RM0.54 | RM0.48 | 24,506,000 | 26,679,723 |
| Warrants 2008/2018 | RM1.26 | RM1.11 | 33,979,972 | 36,994,052 |

On 17 January 2018, Warrants 2008/2018 had expired. No warrants were exercised after the adjustment on the exercise price and number of outstanding warrants.

As at the end of the financial year, the Company has the following outstanding warrants:-

| Warrants | Exercise price per ordinary share | Expiry date | Number of warrants outstanding as at 30.6.2018 |
|---|---|---|---|
| Warrants 2010/2020 | RM0.48 | 16 March 2020 | 26,679,723 |
| Warrants 2017/2020 | RM0.20 | 2 November 2020 | 190,607,977 |

Each Warrants 2010/2020 and Warrants 2017/2020 entitles its registered holders to subscribe one (1) new ordinary share in the Company at an exercise price of RM0.48 and RM0.20 per share respectively, subject to any further adjustments in accordance with the provisions of the deed poll, at any time within 10 years and 3 years respectively from the date of issue of the warrants. The last date to exercise the warrant rights of Warrants 2010/2020 and Warrant 2017/2020 are 16 March 2020 and 2 November 2020 respectively.

The details and salient terms of Warrants 2010/2020 and Warrants 2017/2020 are disclosed in Note 13 to the Financial Statements.

There were no new ordinary shares issued by virtue of the exercise of the warrants.

**OTHER STATUTORY INFORMATION**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

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

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

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

(d) not otherwise dealt with in the report or the financial statements which would render any amount stated in the financial statements misleading.

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

(a) 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 liability of any other person; or

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

In the opinion of the Directors:-

(a) no contingent liability 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, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(b) the results of 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; and

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

There was no indemnity given to or insurance effected for the officers of the Company.

**SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

The significant event during the financial year is disclosed in Note 30 to the Financial Statements.

**AUDITORS**

The total amount of fees paid to or receivable by the Auditors, Messrs Grant Thornton Malaysia, as remuneration for their services as auditors of the Company and its subsidiaries for the financial year ended 30 June 2018 amounted to RM109,000 and RM12,000 respectively.

There was no indemnity given to or insurance effected for the auditors of the Company.

The Auditors, Messrs Grant Thornton Malaysia, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

| | | |
|---|---|---|
| …………………………………………… | ) | |
| TANG BOON KOON | ) | |
| | ) | DIRECTORS |
| …………………………………………... | ) | |
| CHEN HUEI PING | | |

Kuala Lumpur
29 October 2018

# Statement by Directors

In the opinion of the Directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

| ................................................................ | ................................................................ |
|---|---|
| TANG BOON KOON | CHEN HUEI PING |

Kuala Lumpur
29 October 2018

# Statutory Declaration

I, Tang Boon Koon, being the Director primarily responsible for the financial management of mTouche Technology Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

| | |
|---|---|
| Subscribed and solemnly declared by | ) |
| the above named at Kuala Lumpur in | ) |
| the Federal Territory on | ) |
| 29 October 2018 | ) .................................................................. |
| | TANG BOON KOON |

Before me:
P.Valliamah
W594

Commissioner for Oaths

# Independent Auditors' Report
## To The Members Of mTouche Technology Berhad

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and of the Company give a true and fair view of the financial position of mTouche Technology Berhad and its subsidiaries ("the Group") as at 30 June 2018, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

**Basis of Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Recognition of revenue*

Overstatement of revenue is considered to be a significant audit risk as it is the key driver of returns to investors.

Our procedures included, amongst others:-
- Evaluating the controls relating to revenue recognition;
- Performing substantive tests to verify the revenue recognised;
- Performing analytical procedures on the trend of revenue recognised to identify any abnormalities; and
- Performing cut-off test around the financial year end to check the revenue is recognised in the correct accounting year.

The Group's accounting policies in respect of revenue recognition is outlined in Group significant accounting policies and disclosures in Note 18 to the Financial Statements.

**Key Audit Matters (Cont'd)**

*Recoverability of receivables*

Due to the inherent subjectivity that is involved in making judgements in relation to credit risk exposures to determine the recoverability receivables, recoverability of receivables is considered to be a significant audit risk.

Our procedures included, amongst others:-
- Evaluating the controls relating to credit control and approval process;
- Assessing the recoverability of overdue receivables by comparing management's views of recoverability of overdue receivables to historical patterns of receipts, in conjunction with reviewing receipts subsequent to the financial year end for its effect in reducing overdue receivables as the financial year end;
- Holding discussions with management personnel to challenge the management's view on justification on the sufficiency of allowance for doubtful debts; and
- Assessing the adequacy of the disclosures in respect of credit risk.

The Group's accounting policies in respect of receivables is outlined in Group significant accounting policies, the management's judgement in the Group's significant accounting estimates and judgements and disclosures in Notes 8 and 27(a) to the Financial Statements.

**Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprise the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit procedures evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expressed to outweigh the public interest benefits of such communication.

# Independent Auditors' Report
## To The Members Of mTouche Technology Berhad (cont'd)

**Report on Other Legal and Regulatory requirements**

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries, of which we have not acted as auditors, are disclosed in Note 6 to the Financial Statements.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

KISHAN NARENDRA JASANI
(NO.: 3223/12/19(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
29 October 2018

# Statements Of Financial Position
## As At 30 June 2018

| | Note | Group 30.6.2018 RM | Group 30.6.2017 RM | Company 30.6.2018 RM | Company 30.6.2017 RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 3,298,225 | 787,735 | 160,950 | 81,940 |
| Intangible assets | 5 | 3,924,529 | 210,132 | - | - |
| Investment in subsidiaries | 6 | - | - | 834,431 | 6,559,716 |
| Deferred tax assets | 7 | 133,591 | 102,130 | - | - |
| Other receivables | 8 | - | - | - | - |
| Total non-current assets | | 7,356,345 | 1,099,997 | 995,381 | 6,641,656 |
| **Current assets** | | | | | |
| Inventories | 9 | - | 2,493 | - | - |
| Trade and other receivables | 8 | 57,255,432 | 20,161,537 | 53,674,085 | 21,843,802 |
| Prepayments | | 106,518 | 742,945 | - | 95,732 |
| Other investments | 10 | 1,242,340 | - | 1,242,340 | - |
| Tax recoverable | | 26,972 | 461,925 | 1,850 | 256,479 |
| Cash and bank balances | 11 | 32,637,025 | 1,631,062 | 30,685,339 | 10,038 |
| Total current assets | | 91,268,287 | 22,999,962 | 85,603,614 | 22,206,051 |
| Total assets | | 98,624,632 | 24,099,959 | 86,598,995 | 28,847,707 |
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 12 | 104,047,413 | 27,804,222 | 104,047,413 | 27,804,222 |
| Share premium | 12 | - | - | - | - |
| Treasury shares | 12 | - | - | - | - |
| Reserves | 13 | (4,839,201) | (3,046,226) | - | - |
| Accumulated losses | 14 | (10,938,019) | (12,306,273) | (18,464,375) | (11,238,505) |
| | | 88,270,193 | 12,451,723 | 85,583,038 | 16,565,717 |
| Non-controlling interests | | (1,738,516) | (1,429,866) | - | - |
| Total equity | | 86,531,677 | 11,021,857 | 85,583,038 | 16,565,717 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Finance lease liabilities | 15 | 375,840 | - | - | - |
| Deferred tax liabilities | 7 | - | - | - | - |
| Defined benefit obligations | 16 | 630,789 | 486,383 | - | - |
| Total non-current liabilities | | 1,006,629 | 486,383 | - | - |
| **Current liabilities** | | | | | |
| Trade and other payables | 17 | 9,912,805 | 11,387,177 | 1,015,957 | 12,281,990 |
| Finance lease liabilities | 15 | 98,234 | - | - | - |
| Tax payable | | 1,075,287 | 1,204,542 | - | - |
| Total current liabilities | | 11,086,326 | 12,591,719 | 1,015,957 | 12,281,990 |
| Total liabilities | | 12,092,955 | 13,078,102 | 1,015,957 | 12,281,990 |
| **Total equity and liabilities** | | 98,624,632 | 24,099,959 | 86,598,995 | 28,847,707 |

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

# Statements Of Profit Or Loss And Other Comprehensive Income
## For The Financial Year Ended 30 June 2018

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM |
| Revenue | 18 | 19,589,544 | 36,767,481 | - | 2,757,591 |
| Cost of sales | | (15,148,370) | (20,187,931) | - | - |
| Gross profit | | 4,441,174 | 16,579,550 | - | 2,757,591 |
| Other income | | 26,218,350 | 4,639,646 | 5,242,119 | 5,111,105 |
| Administrative expenses | | (7,299,409) | (12,029,505) | (833,715) | (1,808,240) |
| Other expenses | | (21,539,801) | (6,349,719) | (11,234,428) | (5,233,368) |
| Finance costs | | (6,234) | - | - | - |
| **Profit/(Loss) before tax** | 19 | 1,814,080 | 2,839,972 | (6,826,024) | 827,088 |
| Tax expense | 20 | (843,703) | (2,178,084) | (399,846) | (384,974) |
| **Profit/(Loss) for the financial year/period** | | 970,377 | 661,888 | (7,225,870) | 442,114 |
| **Other comprehensive (loss)/income:-** | | | | | |
| ***Item that will be subsequently reclassified to profit or loss*** | | | | | |
| Exchange differences on translating foreign operation, net of tax | | (1,679,733) | 570,038 | - | - |
| ***Item that will not be subsequently reclassified to profit or loss*** | | | | | |
| Actuarial (loss)/gains on defined benefit obligations | 16 | (32,020) | 8,931 | - | - |
| Income tax effect | 7 | 8,005 | (1,491) | - | - |
| | | (24,015) | 7,440 | - | - |
| Other comprehensive (loss)/income for the financial year/period, net of tax | | (1,703,748) | 577,478 | - | - |
| **Total comprehensive (loss)/income for the financial year/period** | | (733,371) | 1,239,366 | (7,225,870) | 442,114 |
| **Profit/(Loss) for the financial year/period attributable to:-** | | | | | |
| - Owners of the Company | | 1,392,269 | 941,155 | (7,225,870) | 442,114 |
| - Non-controlling interests | | (421,892) | (279,267) | - | - |
| | | 970,377 | 661,888 | (7,225,870) | 442,114 |

# Statements Of Profit Or Loss And Other Comprehensive Income
## For The Financial Year Ended 30 June 2018 (cont'd)

| | Note | Group 1.7.2017 to 30.6.2018 RM | Group 1.1.2016 to 30.6.2017 RM | Company 1.7.2017 to 30.6.2018 RM | Company 1.1.2016 to 30.6.2017 RM |
|---|---|---|---|---|---|
| **Total comprehensive (loss)/profit attributable to:-** | | | | | |
| - Owners of the Company | | (424,721) | 1,638,252 | (7,225,870) | 442,114 |
| - Non-controlling interests | | (308,650) | (398,886) | - | - |
| | | (733,371) | 1,239,366 | (7,225,870) | 442,114 |
| **Earnings per share attributable to the owners of the Company** | 21 | | | | |
| - Basic | | 0.38 | 0.43 | | |
| - Diluted | | 0.38 | 0.43 | | |

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

# STATEMENTS OF CHANGES IN EQUITY
## For The Financial Year Ended 30 June 2018

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | | | | Distributable | | | |
| | Share capital (Note 12) RM | Share premium (Note 12) RM | Treasury shares (Note 12) RM | Foreign currency translation reserve (Note 13) RM | Warrant reserve (Note 13) RM | Discount on shares (Note 13) RM | Capital redemption reserve (Note 13) RM | Other capital reserve (Note 13) RM | Accumulated losses RM | Total RM | Non-controlling interests RM | Total RM |
| **Group** | | | | | | | | | | | | |
| **Balance as at 1 January 2016** | 23,154,110 | 14,309,432 | (5,212,402) | (5,200,726) | 9,445,274 | (9,445,274) | 4,194,690 | 1,464,843 | (25,989,623) | 6,720,324 | (1,030,980) | 5,689,344 |
| (Loss)/Profit for the financial period | - | - | - | - | - | - | - | - | 941,155 | 941,155 | (279,267) | 661,888 |
| Other comprehensive income/(loss) for the financial period | | | | | | | | | | | | |
| - Remeasurement gain on net defined benefit liability, net of tax | - | - | - | - | - | - | - | - | 7,440 | 7,440 | - | 7,440 |
| - Exchange translation differences, net of tax | - | - | - | 689,657 | - | - | - | - | - | 689,657 | (119,619) | 570,038 |
| **Total comprehensive income/(loss) for the financial period** | - | - | - | 689,657 | - | - | - | - | 948,595 | 1,638,252 | (398,886) | 1,239,366 |
| **Transactions with owners:-** | | | | | | | | | | | | |
| Disposal of treasury shares | - | (3,434,655) | 5,212,402 | - | - | - | - | - | - | 1,777,747 | - | 1,777,747 |
| Issuance of share capital | 2,315,400 | - | - | - | - | - | - | - | - | 2,315,400 | - | 2,315,400 |
| Transition to no-par value regime on 31 January 2017^ | 15,069,467 | (10,874,777) | - | - | - | - | (4,194,690) | - | - | - | - | - |
| Par value reduction | (12,734,755) | - | - | - | - | - | - | - | 12,734,755 | - | - | - |
| **Total transactions with owners** | 4,650,112 | (14,309,432) | 5,212,402 | - | - | - | (4,194,690) | - | 12,734,755 | 4,093,147 | - | 4,093,147 |
| **Balance as at 30 June 2017** | 27,804,222 | - | - | (4,511,069) | 9,445,274 | (9,445,274) | - | 1,464,843 | (12,306,273) | 12,451,723 | (1,429,866) | 11,021,857 |

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# STATEMENTS OF CHANGES IN EQUITY
## For The Financial Year Ended 30 June 2018 (cont'd)

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | | | | Distributable | | | |
| | Share capital (Note 12) RM | Share premium (Note 12) RM | Treasury shares (Note 12) RM | Foreign currency translation reserve (Note 13) RM | Warrant reserve (Note 13) RM | Discount on shares (Note 13) RM | Capital redemption reserve (Note 13) RM | Other capital reserve (Note 13) RM | Accumulated losses RM | Total RM | Non-controlling interests RM | Total RM |
| **Group (Cont'd)** | | | | | | | | | | | | |
| Profit/(Loss) for the financial year | - | - | - | - | - | - | - | - | 1,392,269 | 1,392,269 | (421,892) | 970,377 |
| Other comprehensive income/(loss) for the financial year | | | | | | | | | | | | |
| - Remeasurement loss on net defined benefit liability, net of tax | - | - | - | - | - | - | - | - | (24,015) | (24,015) | - | (24,015) |
| - Exchange translation differences, net of tax | - | - | - | (1,792,975) | - | - | - | - | - | (1,792,975) | 113,242 | (1,679,733) |
| **Total comprehensive icome/ (loss) for the financial year** | - | - | - | (1,792,975) | - | - | - | - | 1,368,254 | (424,721) | (308,650) | (733,371) |
| **Transactions with owners:-** | | | | | | | | | | | | |
| Issuance of share capital | 76,243,191 | - | - | - | - | - | - | - | - | 76,243,191 | - | 76,243,191 |
| Issuance of Warrants C | - | - | - | - | 20,966,877 | (20,966,877) | - | - | - | - | - | - |
| Expiry of Warrants A | - | - | - | - | (7,427,595) | 7,427,595 | - | - | - | - | - | - |
| Total transactions with owners | 76,243,191 | - | - | - | 13,539,282 | (13,539,282) | - | - | - | 76,243,191 | - | 76,243,191 |
| **Balance as at 30 June 2018** | 104,047,413 | - | - | (6,304,044) | 22,984,556 | (22,984,556) | - | 1,464,843 | (10,938,019) | 88,270,193 | (1,738,516) | 86,531,677 |

^ The new Companies Act, 2016 in Malaysia ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account and capital redemption reserve account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM10,874,777 and capital redemption reserve account of RM4,194,690 for purposes as set out in Sections 618(3) and 618(4) of the Act respectively. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

# STATEMENTS OF CHANGES IN EQUITY
## For The Financial Year Ended 30 June 2018 (cont'd)

| | Non-distributable | | | | | | Distributable | |
|---|---|---|---|---|---|---|---|---|
| | Share capital (Note 12) RM | Share premium (Note 12) RM | Treasury shares (Note 12) RM | Warrant reserve (Note 13) RM | Discount on shares (Note 13) RM | Other reserve (Note 13) RM | Accumulated losses RM | Total equity RM |
| **Company** | | | | | | | | |
| Balance as at 1 January 2016 | 23,154,110 | 14,309,432 | (5,212,402) | 9,445,274 | (9,445,274) | 4,194,690 | (24,415,374) | 12,030,456 |
| **Transactions with owners:-** | | | | | | | | |
| Disposal of treasury shares | - | (3,434,655) | 5,212,402 | - | - | - | - | 1,777,747 |
| Issuance of share capital | 2,315,400 | - | - | - | - | - | - | 2,315,400 |
| Transition to no-par value regime on 31 January 2017^ | 15,069,467 | (10,874,777) | - | - | - | (4,194,690) | - | - |
| Par value reduction | (12,734,755) | - | - | - | - | - | 12,734,755 | - |
| Total transaction with owners | 4,650,112 | (14,309,632) | 5,212,402 | - | - | (4,194,690) | 12,734,755 | 4,093,147 |
| Total comprehensive income for the financial period | - | - | - | - | - | - | 442,114 | 442,114 |
| Balance as at 30 June 2017 | 27,804,222 | - | - | 9,445,274 | (9,445,274) | - | (11,238,505) | 16,565,717 |
| **Transactions with owners:-** | | | | | | | | |
| Expiry of Warrant A | - | - | - | (7,427,595) | 7,427,595 | - | - | - |
| Issuance of share capital | 76,243,191 | - | - | - | - | - | - | 76,243,191 |
| Issuance of Warrants C | - | - | - | 20,966,877 | (20,966,877) | - | - | - |
| Total transaction with owners | 76,243,191 | - | - | 13,539,282 | (13,539,282) | - | - | 76,243,191 |
| Total comprehensive loss for the financial year | - | - | - | - | - | - | (7,225,870) | (7,225,870) |
| Balance as at 30 June 2018 | 104,047,413 | - | - | 22,984,556 | (22,984,556) | - | (18,464,375) | 85,583,038 |

^ The new Companies Act, 2016 in Malaysia ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account and capital redemption reserve account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM10,874,777 and capital redemption reserve account of RM4,194,690 for purposes as set out in Sections 618(3) and 618(4) of the Act respectively. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

# STATEMENTS OF CASH FLOWS
## For The Financial Year Ended 30 June 2018

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM |
| **OPERATING ACTIVITIES** | | | | | |
| Profit/(Loss) before tax | | 1,814,080 | 2,839,972 | (6,826,024) | 827,088 |
| **Adjustments for:-** | | | | | |
| Amortisation of intangible assets | | 212,904 | 19,225 | - | - |
| Bad debts written off | | 51,698 | - | - | - |
| Inventories written off | | 2,412 | 3,277 | - | - |
| Inventories written down | | - | 13,104 | - | - |
| Depreciation | | 382,855 | 1,114,006 | 17,778 | 20,332 |
| Impairment losses on financial assets | | 3,122,999 | 2,434,875 | 4,076,557 | 213,055 |
| Reversal of impairment losses on financial assets | | (4,152,992) | (59,032) | (4,139,102) | (3,190,000) |
| Impairment losses on investment in subsidiaries | | - | - | 16,500 | 3,615,600 |
| Impairment losses on intangible assets | | - | 4,196,117 | - | - |
| Interest expenses | | 6,234 | - | - | - |
| Interest income | | (1,067,665) | (36,652) | (1,060,912) | (15) |
| Property, plant and equipment written off | | 273,592 | - | - | - |
| Provision of defined benefit obligations | | 142,520 | 188,697 | - | - |
| (Gain)/Loss on disposal of subsidiaries | | (21,896,726) | (6,536,105) | 5,706,785 | (179,997) |
| Gain on disposal of property, plant and equipment | | (96,907) | - | (42,105) | - |
| Negative goodwill on acquisition of a subsidiary | | - | (122,350) | - | - |
| Impairmant losses on other investments | | 752,957 | - | 752,957 | - |
| Short term accumulating compensated absences | | - | (53,491) | - | (53,491) |
| Unrealised loss/(gain) on foreign exchange | | 279,796 | (444,679) | 3 | - |
| Operating (loss)/profit before working capital changes | | (20,172,243) | 3,556,964 | (1,497,566) | 1,252,572 |
| Changes in working capital:- | | | | | |
| Receivables | | (37,718,439) | (14,147,019) | (31,817,226) | (1,885,326) |
| Payables | | 21,027,422 | 5,691,418 | (11,266,033) | (3,235,808) |
| Cash used in operations | | (36,863,260) | (4,898,637) | (44,580,822) | (3,868,562) |
| Tax paid | | (738,549) | (487,619) | - | - |
| Tax refund | | - | 95,700 | - | - |
| Net cash used in operating activities | | (37,601,809) | (5,290,556) | (44,580,822) | (3,868,562) |

# STATEMENTS OF CASH FLOWS
## For The Financial Year Ended 30 June 2018 (cont'd)

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM |
| **INVESTING ACTIVITIES** | | | | | |
| Additions to intangible assets | | (4,003,541) | (89,896) | - | - |
| Acquisition of a subsidiary, net of cash acquired | 6(c) | - | 92,487 | - | - |
| Acquisition of other investments | | (1,995,297) | - | (1,995,297) | - |
| Investment in a subsidiary | | - | - | - | (425,600) |
| Purchase of property, plant and equipment | A | (2,715,915) | (386,480) | (139,683) | (100,910) |
| Proceeds from disposal of a subsidiary | 6(e) | 1,223 | 178,573 | 2,000 | 180,001 |
| Proceeds from disposal of property, plant and equipment | | 147,600 | - | 85,000 | - |
| Interest received | | 1,067,665 | 36,652 | 1,060,912 | 15 |
| Net cash used in investing activities | | (7,498,265) | (168,664) | (987,068) | (346,494) |
| **FINANCING ACTIVITIES** | | | | | |
| Interest paid | | (6,234) | - | - | - |
| Proceeds from issuance of share capital | | 76,243,191 | 2,315,400 | 76,243,191 | 2,315,400 |
| Proceeds from disposal of treasury shares | | - | 1,777,747 | - | 1,777,747 |
| Repayment of finance lease liabilities | | (40,926) | - | - | - |
| Net cash from financing activities | | 76,196,031 | 4,093,147 | 76,243,191 | 4,093,147 |
| **CASH AND CASH EQUIVALENTS** | | | | | |
| Net changes | | 31,095,957 | (1,366,073) | 30,675,301 | (121,909) |
| Effects of changes in foreign exchange rate | | (89,994) | (472,973) | - | - |
| Brought forward | | 1,631,062 | 3,470,108 | 10,038 | 131,947 |
| Carried forward | 11 | 32,637,025 | 1,631,062 | 30,685,339 | 10,038 |

# STATEMENTS OF CASH FLOWS
## For The Financial Year Ended 30 June 2018 (cont'd)

**NOTE TO THE STATEMENTS OF CASH FLOWS**

| | Group | | Company | |
|---|---|---|---|---|
| | **1.7.2017 to 30.6.2018 RM** | **1.1.2016 to 30.6.2017 RM** | **1.7.2017 to 30.6.2018 RM** | **1.1.2016 to 30.6.2017 RM** |
| A. Total additions | 3,230,915 | 386,480 | 139,683 | 100,910 |
| Purchase through finance lease arrangements | (515,000) | - | - | - |
| Cash payment | 2,715,915 | 386,480 | 139,683 | 100,910 |

**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

| | **1 July 2017 RM** | **Cash flows RM** | **Other changes RM** | **30 June 2018 RM** |
|---|---|---|---|---|
| **GROUP** | | | | |
| Finance lease liabilities | - | 40,926 | - | 40,926 |
| Total liabilities from financing activities | - | 40,926 | - | 40,926 |

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

1. **GENERAL INFORMATION**

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 Lot 11.3, 11th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan.

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 disclosed in Note 6 to the Financial Statements.

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

The comparative figures are for the financial period from 1 January 2016 to 30 June 2017 due to change in the financial year end from 31 December 2016 to 30 June 2017. Consequently, the comparative amounts for the statements of profit or loss and other comprehensive income, statement of cash flows, statements of changes in equity and related notes are not comparable.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 29 October 2018.

2. **BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS**

2.1 **Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

2.2 **Basis of measurement**

The financial statements of the Group and of the Company have been prepared on the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2. **BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS (CONT'D)**

2.2 **Basis of measurement (cont'd)**

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The Group has established control framework in respect to the measurement of fair values of financial instruments. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 **Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 **MFRSs**

2.4.1 **Standards issued and effective**

The Group and the Company have applied consistently the accounting policies set out in Note 3 to the Financial Statement to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted amendments to MFRSs which are mandatory for the financial period beginning on or after 1 January 2017.

Initial application of the relevant new and revised MFRSs does not have any material impact on the financial statements of the Company except for:-

2. **BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS (CONT'D)**

2.4 **MFRSs (cont'd)**

2.4.1 **Standards issued and effective (cont'd)**

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiative

The Group have applied these amendments for the first time in the current financial year. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The information are provided in statements of cash flows of the financial statements of the Group. Consistent with the transition provisions of the amendments, the Group have not disclosed comparative information for the prior period.

2.4.2 **Standards issued but not yet effective**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the Malaysian Accounting Standards Board ("MASB") but are not yet effective, and have not been early adopted by the Group and the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations relevant to the Group's and the Company's financial statements are provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's and the Company's financial statements.

**MFRS 9 Financial instruments**

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The adoption of MFRS 9 is not expected to have any significant financial impact on the financial statements of the Group and of the Company.

**MFRS 15 Revenue from Contracts with Customers**

MFRS 15 presents new requirements for the recognition of revenue, replacing the guidance of MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Int 13 Customer Loyalty Programmes, IC Int 15 Agreements for Construction of Real Estate, IC Int 18 Transfers of Assets from Customers and IC Int 131 Revenue – Barter Transaction Involving Advertising Services. The principles in MFRS 15 provide a more structured approach to measuring and recognising revenue. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. The adoption of MFRS 15 will result in a change in according policy. The Group expects no significant financial impact on their financial statements.

2. **BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS (CONT'D)**

2.4 **MFRSs (cont'd)**

2.4.2 **Standards issued but not yet effective (cont'd)**

**MFRS 16 Leases**

MFRS 16 replaces MFRS 117 Leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all leases will be brought onto the statements of financial position by recognising a "right-of-use" asset and a lease liability. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statements of financial position are expected to increase substantially.

MFRS 16 also:-

- Changes the definition of a lease,
- Sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods,
- Changes the accounting for sale and leaseback arrangements,
- Largely retains MFRS 117's approach to lessor accounting, and
- Introduces new disclosure requirements.

This standard will come into effect on or after 1 January 2019 with early adoption permitted. The adoption of MFRS 16 will result in a change in accounting policy. The Group and the Company expect no significant financial impact on their statements of financial position.

2.5 **Significant accounting estimates and judgements**

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by the management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

2.5.1 **Estimation uncertainty**

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

<u>Useful lives of depreciable assets</u>

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be 3 to 5 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment. Therefore, future depreciation charges could be revised.

The carrying amount of the Group's and of the Company's property, plant and equipment at the end of the reporting year is disclosed in Note 4 to the Financial Statements.

2. **BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS (CONT'D)**

2.5 **Significant accounting estimates and judgements (cont'd)**

2.5.1 **Estimation uncertainty (cont'd)**

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, the management takes into account the most reliable evidence available at the time the estimates are made. The Group's core business is subject to economical and technological changes which may cause selling price to change rapidly. The rapid change in selling price will have an impact in determining the net realisable value of inventories and ultimately the earnings of the Group.

The carrying amount of the Group's inventories at the end of the reporting year is disclosed in Note 9 to the Financial Statements.

Impairment of loans and receivables

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivables 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.

The carrying amount of the Group's and of the Company's receivables at the end of the reporting period is disclosed in Note 8 to the Financial Statements.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses, unabsorbed capital allowances and unused tax credits to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences, unutilised tax losses and unabsorbed capital allowances 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.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of 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.

2. **BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS (CONT'D)**

2.5 **Significant accounting estimates and judgements (cont'd)**

2.5.1 **Estimation uncertainty (cont'd)**

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").

The discount rate applied to the DCF analysis is 10% (30.6.2017: 10%) 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 performance of the respective CGU adjusted for future revenues from agreements signed subsequent to the financial year end whilst growth rates for projection of cash flows beyond the following year is 3% (30.6.2017: 3%) reflecting its market experience. Long term growth rate applied to the DCF is 3% (30.6.2017: 3%).

Following the above assessment, the Group recognised impairment losses on intangible assets and investment in subsidiaries respectively as further disclosed in Notes 5 and 6 to the Financial Statements. 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 of the Company during the current financial year.

Defined benefit plans

The cost of the defined benefit pension plans and the present value of the pension obligation 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 approriate discount rates, management considers the interest rates of high quality corporate bonds in currencies consistent with the currencies of the post-employment benefit of the defined 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 the end of the reporting year and the details about the assumptions used are disclosed in Note 16 to the Financial Statements.

Development expenditure

Development expenditure 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 reporting date, the carrying amount of capitalised development expenditure of the Group and of the Company are disclosed in Note 5 to the Financial Statements.

2. **BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS (CONT'D)**

2.5 **Significant accounting estimates and judgements (cont'd)**

2.5.2 **Significant management judgements**

The significant management judgements in applying the accounting policies of the Group and of the Company that have the most significant effect on the financial statements are as follows:-

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Capitalisation and amortisation of intangible assets

Intangible assets are capitalised in accordance with the accounting policy in Note 3 to the Financial Statements. 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 the reporting date, the carrying amounts of intangible assets of the Group are disclosed in Note 5 to the Financial Statements.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of respective components. The Group reviews 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 flows, immediate impairment loss would be recognised in profit or loss. Further details are disclosed in Note 5 to the Financial Statements.

Control over PT mTouche

As disclosed in Note 6(d) to the Financial Statements, on 13 January 2014, the Group disposed 51% of its shares in PT mTouche ("PTMT"). As a result, the Group owns 49% of the voting rights of PTMT since the said disposal date. Pursuant to a shareholders' agreement and its control over the management team responsible for directing the relevant activities of PTMT, the Board of Directors assessed that the Group has control over PTMT.

Leases

In applying the classification of leases in MFRS 117, management considers some of its leases of motor vehicles as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the assets event if title is not transferred and others in accordance with MFRS 117, Leases.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The Group and the Company apply the significant accounting policies as summarised below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

3.1 **Basis of consolidation**

3.1.1 **Business combinations**

Business combinations 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 interest 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.

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.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date which, if known, would have affected the amounts recognised at that date.

3.1.2 **Subsidiaries**

Subsidiaries are entities controlled by the Group and the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. In circumstances when the voting rights are not more than half or when voting rights are not the dominant determinant of control, the Group uses judgements to assess whether it has de facto control, control by other arrangements, or by holding substantive potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary.

Investment in subsidiaries is stated at cost in the Company's statement of financial position. Where an indication of impairment exists, the carrying amount of the subsidiary is assessed and written down immediately to its recoverable amount.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.1 **Basis of consolidation (cont'd)**

3.1.3 **Non-controlling interests**

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company. It is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separate from equity attributable to owners of the Company.

Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even though it may result in deficit to non-controlling interests.

3.1.4 **Acquisition of non-controlling interests**

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between share of net assets before and after the change by the Group, and any consideration received or paid, is adjusted in the reserves.

3.1.5 **Eliminations on consolidation**

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated on consolidation.

3.1.6 **Changes in ownership in subsidiaries without loss of control**

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 interest and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3.1.7 **Loss of control**

When the Group ceases to have control of a subsidiary, the Group derecognises the assets and liabilities, non-controlling interests and other components of equity related to the subsidiary. Surplus or deficit arising from the loss of control is recognised in profit or loss.

Any interest retained by the Group in the entity is remeasured to its fair value at the date when the control is lost and surplus or deficit arising from the remeasurement is recognised in profit or loss. Subsequently, it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.2 **Foreign currency translation**

3.2.1 **Foreign currency transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded in the entity's functional currency using the exchange rates prevailing at the date of transactions.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.2 **Foreign currency translation (cont'd)**

3.2.1 **Foreign currency transactions (cont'd)**

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at exchange rate at the reporting date. However, non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value in a foreign currency are retranslated to the functional currency at exchange rate when the fair value was determined.

Foreign currency differences arising from retranslation are recognised in profit or loss except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

Assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising in an acquisition, are translated at year-end exchange rates. The income and expenses of foreign subsidiaries are translated to RM at average rates during the financial year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign subsidiary is disposed in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposed part of its interest but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

If the settlement of a monetary item receivable from or payable to a foreign subsidiary is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item will form part of the net investment in the foreign subsidiary. Differences of such nature are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

3.3 **Property, plant and equipment**

Property, plant and equipment are initially stated 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 Company and the cost of the item can be measured reliably.

All property, plant and equipment are subsequently stated at cost less accumulated depreciation and less any impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such costs as individual assets with specific useful lives and depreciation respectively. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful life. Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

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

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.3 **Property, plant and equipment (cont'd)**

Capital work-in-progress consists of computer software under installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under installation until the property, plant and equipment are ready for their intended use. Assets under installation are not depreciated until it is completed and ready for their intended use.

The residual value, useful life and depreciation method are reviewed at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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 arising on derecognition of the asset is included in the profit or loss in the financial year the asset is derecognised.

3.4 **Intangible assets**

3.4.1 **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.

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 value of the disposed operations and the portion of the cash-generating unit retained.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 **Intangible assets (cont'd)**

3.4.1 **Goodwill (cont'd)**

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 3.2 to the Financial Statements.

Goodwill and fair value adjustments which arose on acquisition 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.

3.4.2 **Other intangible assets**

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

The useful lives of other intangible assets are either finite or indefinite. Other 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 once 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 assets are accounted for by charging the amortisation expense on other intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the other intangible assets.

Other 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 another intangible asset are measured as the differences between the net disposal proceeds and the carrying amount of the assets 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 between 2 and 10 years.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 **Intangible assets (cont'd)**

3.4.2 **Other intangible assets (cont'd)**

(ii) **Software licenses**

The Group has developed the following criteria to identify computer software license to be classified as property, 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 property, 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.

(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 expenditure 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 benefits, 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.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.5 **Impairment of non-financial assets**

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss.

An impairment loss for an asset is reversed if, and 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior financial years. A reversal of impairment loss for an asset is recognised in profit or loss.

3.6 **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method basis.

Costs of inventories comprised costs of purchase.

Net realisable value represents the estimated selling in the ordinary course of business less selling and distribution cost all other estimated costs to completion.

3.7 **Financial instruments**

3.7.1 **Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.7 **Financial instruments (cont'd)**

3.7.2 **Financial assets - Categorisation and subsequent measurement**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

(a) loans and receivables;
(b) financial assets at fair value through profit or loss;
(c) held-to-maturity investments; and
(d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least once at the end of each reporting period. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset are transferred. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in the equity is recognised in the profit or loss.

Other than loans and receivables and financial assets at fair value through profit or loss, the Group and the Company do not have any held-to-maturity investments and available-for-sale financial assets.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, trade and most of the other receivables fall into this category of financial instruments.

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

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

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition.

Subsequent to initial recognition, assets in this category are measured at fair value with gains or losses recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other expenses or other income. The Group's and the Company's other investments fall into this category of financial instrument.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.7 **Financial instruments (cont'd)**

3.7.2 **Financial assets - Categorisation and subsequent measurement (cont'd)**

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

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

3.7.3 **Financial liabilities - Categorisation and subsequent measurement**

After the initial recognition, financial liability is classified as financial liability at fair value through profit or loss or other financial liabilities measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished, discharged, cancelled or expired, or through amortisation process. 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 amount is recognised in profit or loss.

At the reporting date, the Group and the Company have not designated any financial liabilities at fair value through profit or loss, the Group and the Company carry only other financial liabilities on their statements of financial position.

**Other financial liabilities**

The Group's and the Company's financial liabilities include finance lease liabilities, trade and most of the other payables.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

3.7.4 **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.8 **Impairment of financial assets**

**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 receivables 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 flow 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 receivables, where the carrying amount is reduced through the use of an allowance account. When a 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.

3.9 **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, short-term deposits with licensed banks and bank balances, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.10 **Equity, reserves and dividend payments**

An equity instruments 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 transactions cost. Ordinary shares are classified as equity.

Prior to Companies Act, 2016 which came into operation on 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against the share premium account. Effective on 31 January 2017 and subsequent period, incremental external costs directly attributable to issuance of new shares are deducted against equity.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.10 **Equity, reserves and dividend payments (cont'd)**

Accumulated losses include all current and prior period losses.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholder's equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

All transactions with owners of the Company are recorded separately within equity.

3.11 **Treasury shares**

When issued shares of the Company are repurchased, the consideration paid, including directly attributable costs is presented as a change in equity. Repurchased shares that have not been cancelled are classify as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the profit or loss on the sale, reissuance or cancellation of treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

When treasury shares are reissued by resale, the difference between the sale consideration net of directly attributable costs and the carrying amount of the treasury shares is shown as a movement in equity.

3.12 **Warrants**

The Warrants issued by the Company is recognised as equity instrument in the statements of financial position.

The issuance of ordinary shares upon exercise of warrants is treated as new subscription of ordinary shares in the Company. The proceeds are credited to share capital if any. The warrants reserve in relation to the unexercised warrants will be reversed upon expiry of the warrants.

3.13 **Provisions**

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each end of the reporting period 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. Where 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.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.14 **Leases**

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

**Finance Lease**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between 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 recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the 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 of the asset and the lease term.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

**Operating Lease**

Leases, where the Group and the Company do not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

3.15 **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. Revenue is measured at the fair value of consideration received or receivable.

3.15.1 **Rendering of service**

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

3.15.2 **Management and licensing fees**

Management and licensing fees are recognised on an accrual basis.

3.15.3 **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.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.15 **Revenue recognition (cont'd)**

3.15.4 **Sales of goods**

Revenue is recognised net of 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.

3.15.5 **Dividend income**

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

3.16 **Employee benefits**

3.16.1 **Short term employee benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial period 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.

3.16.2 **Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current financial year.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the national pension scheme, the Employees Provident Fund ("EPF"). The Group's foreign subsidiaries also make contributions to their country's statutory pension schemes.

3.16.3 **Defined benefit plans**

The Group have defined pension plans arising from two of its subsidiaries, mTouche (Thailand) Co. Ltd. and PT mTouche 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. That benefit is discounted in order to determine its present value.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability, are recognised immediately in the statements 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.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.16 **Employee benefits (cont'd)**

3.16.3 **Defined benefit plans**

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

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under 'administrative expense' in the consolidated profit or loss.

- service costs comprising current costs, past-service costs, gains and losses on curtailments and non-routine settlements.

- net interest expense.

3.17 **Tax expense**

3.17.1 **Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Current tax is recognised in the statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

3.17.2 **Deferred tax**

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted as at the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.18 **Goods and Services Tax ("GST")**

GST is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Group or the Company paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:-

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

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

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

3.19 **Contingencies**

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.20 **Related parties**

A related party is a person or entity that is related to the entity that is preparing its financial statements ("the reporting entity"). A related party transaction is a transfer of resources, services or obligations between the reporting entity and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:-

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the ultimate holding company of the Group, or the Group.

(b) An entity is related to the Group if any of the following conditions applies:-

(i) the entity and the Group are members of the same group.
(ii) one entity is an associate or joint venture of the other entity.
(iii) both entities are joint ventures of the same third party.
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) the entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
(vi) the entity is controlled or jointly-controlled by a person identified in (a) above.
(vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the Group.
(viii) the entity, or any member of a group of which it is a party, provides key management personnel services to the Group or to the parent of the Group.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.21 **Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. **PROPERTY, PLANT AND EQUIPMENT**

| | Computers RM | Furniture and fittings RM | Office equipment RM | Renovations RM | Motor vehicles RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 January 2016 | 5,078,195 | 377,496 | 795,276 | 1,106,850 | 708,381 | - | 8,066,198 |
| Additions | 127,083 | 98,552 | 18,024 | 84,330 | 58,491 | - | 386,480 |
| Written off | - | - | (2,532) | - | - | - | (2,532) |
| Disposal of subsidiaries | (881,658) | - | - | - | - | - | (881,658) |
| Translation differences | 132,971 | 19,550 | (69,440) | 17,299 | 170 | - | 100,550 |
| At 30 June 2017 | 4,456,591 | 495,598 | 741,328 | 1,208,479 | 767,042 | - | 7,669,038 |
| Additions | 2,397,142 | 2,325 | 17,627 | 120,906 | 563,138 | 129,777 | 3,230,915 |
| Written off | (2,927,657) | (168,724) | (187,804) | (941,264) | - | - | (4,225,449) |
| Disposal | (14,500) | - | - | - | (762,115) | - | (776,615) |
| Translation differences | (121,720) | (16,438) | (15,823) | (17,221) | (337) | - | (171,539) |
| At 30 June 2018 | 3,789,856 | 312,761 | 555,328 | 370,900 | 567,728 | 129,777 | 5,726,350 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2016 | 4,013,076 | 308,939 | 597,727 | 638,383 | 658,701 | - | 6,216,826 |
| Charge for the financial period | 668,322 | 143,845 | 54,778 | 213,444 | 33,617 | - | 1,114,006 |
| Written off | - | - | (2,532) | - | - | - | (2,532) |
| Disposal of subsidiaries | (532,045) | - | - | - | - | - | (532,045) |
| Translation differences | 89,656 | 5,422 | (25,404) | 15,329 | 45 | - | 85,048 |
| At 30 June 2017 | 4,239,009 | 458,206 | 624,569 | 867,156 | 692,363 | - | 6,881,303 |
| Charge for the financial year | 143,152 | 16,737 | 21,153 | 132,815 | 68,998 | - | 382,855 |
| Written off | (2,900,140) | (154,228) | (187,300) | (710,189) | - | - | (3,951,857) |
| Disposal | (14,500) | - | - | - | (711,422) | - | (725,922) |
| Translation differences | (112,876) | (15,317) | (15,175) | (14,710) | (176) | - | (158,254) |
| At 30 June 2018 | 1,354,645 | 305,398 | 443,247 | 275,072 | 49,763 | - | 2,428,125 |
| **Net carrying amount** | | | | | | | |
| At 30 June 2017 | 217,582 | 37,392 | 116,759 | 341,323 | 74,679 | - | 787,735 |
| At 30 June 2018 | 2,435,211 | 7,363 | 112,081 | 95,828 | 517,965 | 129,777 | 3,298,225 |

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

| | Computers RM | Furniture and fittings RM | Office equipment RM | Renovations RM | Motor vehicles RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 January 2016 | 149,014 | 520 | 11,913 | 8,956 | 174,530 | - | 344,933 |
| Additions | 4,380 | - | 8,309 | 29,730 | 58,491 | - | 100,910 |
| At 31 December 2017 | 153,394 | 520 | 20,222 | 38,686 | 233,021 | - | 445,843 |
| Additions | - | - | - | 9,906 | - | 129,777 | 139,683 |
| Disposal | - | - | - | - | (233,021) | - | (233,021) |
| At 30 June 2018 | 153,394 | 520 | 20,222 | 48,592 | - | 129,777 | 352,505 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2016 | 149,010 | 518 | 11,909 | 7,606 | 174,528 | - | 343,571 |
| Charge for the financial period | 1,927 | - | 5,541 | 4,090 | 8,774 | - | 20,332 |
| At 30 June 2017 | 150,937 | 518 | 17,450 | 11,696 | 183,302 | - | 363,903 |
| Charge for the financial year | 1,446 | - | 2,605 | 6,903 | 6,824 | - | 17,778 |
| Disposal | - | - | - | - | (190,126) | - | (190,126) |
| At 30 June 2018 | 152,383 | 518 | 20,055 | 18,599 | - | - | 191,555 |
| **Net carrying amount** | | | | | | | |
| At 30 June 2017 | 2,457 | 2 | 2,772 | 26,990 | 49,719 | - | 81,940 |
| At 30 June 2018 | 1,011 | 2 | 167 | 29,993 | - | 129,777 | 160,950 |

The net carrying amount of property, plant and equipment of the Group which are under finance lease arrangements amounted to RM516,210 (30.6.2017: RMNil) arises from motor vehicle.

5. **INTANGIBLE ASSETS**

| | Goodwill RM | Intellectual property RM | Software license RM | Development costs RM | Total RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Cost** | | | | | |
| At 1 January 2016 | 2,805,415 | 19,115,712 | 4,241,442 | 7,373,027 | 33,535,596 |
| Additions | - | 89,896 | - | - | 89,896 |
| Disposal of subsidiaries | - | - | - | (4,881,570) | (4,881,570) |
| Exchange differences | - | 414,126 | - | (28,970) | 385,156 |
| At 30 June 2017 | 2,805,415 | 19,619,734 | 4,241,442 | 2,462,487 | 29,129,078 |
| Additions | - | 2,122,018 | - | 1,881,523 | 4,003,541 |
| Written off | - | (17,417,629) | - | (521,135) | (17,938,764) |
| Exchange differences | - | (614,611) | - | (62,204) | (676,815) |
| At 30 June 2018 | 2,805,415 | 3,709,512 | 4,241,442 | 3,760,671 | 14,517,040 |
| **Accumulated amortisation and impairment losses** | | | | | |
| At 1 January 2016 | 2,805,415 | 19,115,712 | 4,241,442 | 3,111,018 | 29,273,587 |
| Amortisation (Note 19) | - | 19,225 | - | - | 19,225 |
| Impairment loss (Note 19) | - | - | - | 4,196,117 | 4,196,117 |
| Disposal of subsidiaries | - | - | - | (4,881,570) | (4,881,570) |
| Exchange difference | - | 274,666 | - | 36,921 | 311,587 |
| At 30 June 2017 | 2,805,415 | 19,409,603 | 4,241,442 | 2,462,486 | 28,918,946 |
| Amortisation (Note 19) | - | 212,904 | - | - | 212,904 |
| Written off | - | (17,417,629) | - | (521,135) | (17,938,764) |
| Exchange difference | - | (572,498) | - | (28,077) | (600,575) |
| At 30 June 2018 | 2,805,415 | 1,632,380 | 4,241,442 | 1,913,274 | 10,592,511 |
| **Net carrying amount** | | | | | |
| At 30 June 2017 | - | 210,131 | - | 1 | 210,132 |
| At 30 June 2018 | - | 2,077,132 | - | 1,847,397 | 3,924,529 |

5. **INTANGIBLE ASSETS (CONT'D)**

| | Software license RM | Development costs RM | Total RM |
|---|---|---|---|
| **Company** | | | |
| **Cost** | | | |
| At 1 January 2016, 30 June 2017 and 30 June 2018 | 4,241,442 | 1,220,650 | 5,462,092 |
| **Accumulated amortisation and impairment losses** | | | |
| At 1 January 2016, 30 June 2017 and 30 June 2018 | 4,241,442 | 1,220,650 | 5,462,092 |
| **Net carrying amount** | | | |
| At 30 June 2017 | - | - | - |
| At 30 June 2018 | - | - | - |

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 3 (30.6.2017: 4) years.

Software license relates to:-

- software license that 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, mTouche (Thailand) Co. Ltd. purchased an extension open API and security module for supporting the customers' projects.

Additions of development costs came from the new projects developed during the current financial year which is DMI Platform and Devil Tutor.

Amortisation expense

The amortisation of One Krypto development costs are included in "Cost of sales" line item in the statements of profit or loss and other comprehensive income in the previous financial period.

5. **INTANGIBLE ASSETS (CONT'D)**

Impairment testing of goodwill and software development

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

The pre-tax discount rates applied to the cash flow projections is 10% (30.6.2017: 10%). The forecast growth rates used to extrapolate cash flows beyond the five-year period is 3% (30.6.2017: 3%) 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 individual CGU's past trends, recent performance and market or industry developments.

Impairment loss recognised

There was no carrying amount for goodwill as at the reporting date.

During the previous financial period, impairment losses were recognised to write-down the carrying amount of development costs pertaining to One-Krypto, Touchgate and Go-Live of MTB Securenet Sdn. Bhd. And Juz Technology Sdn. Bhd. before the disposal of these two subsidiaries were taken place. The Group recognised impairment losses of RM4,196,117 in the statements of profit or loss and other comprehensive income under the line item "Other expenses" in the previous financial period.

6. **INVESTMENT IN SUBSIDIARIES**

| | **Company** | |
|---|---|---|
| | **30.6.2018** | **30.6.2017** |
| | **RM** | **RM** |
| Unquoted shares, at costs | 11,241,469 | 16,950,254 |
| Impairment losses | (10,407,038) | (10,390,538) |
| | 834,431 | 6,559,716 |

6. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

(a) Details of the Group's subsidiaries are as follows:-

| Name | Country of incorporation | Percentage of ownership interest held by the Group | | Percentage of ownership interest held by non-controlling interests* | |
|---|---|---|---|---|---|
| | | 30.6.2018 | 30.6.2017 | 30.6.2018 | 30.6.2017 |
| ***Held by the Company:-*** | | | | | |
| Mobile Touchetek Sdn. Bhd. [a] | Malaysia | - | 100 | - | - |
| mTouche International Sdn. Bhd. [a] | Malaysia | 100 | 100 | - | - |
| mTouche Pte. Ltd. [b] | Singapore | 100 | 100 | - | - |
| PT mTouche [b] | Republic of Indonesia | 49 | 49 | 51 | 51 |
| mTouche (Thailand) Co. Ltd. [c] | Thailand | 99.94 | 99.94 | 0.06 | 0.06 |
| mTouche (HK) Ltd. [b] | Hong Kong | 100 | 100 | - | - |
| mTouche (Vietnam) Co. Ltd. [b] | Vietnam | 100 | 100 | - | - |
| mBit Pte. Ltd. [b] | Singapore | 100 | 100 | - | - |
| mTouche Technology Philippines Inc. [b, d] | Philippines | 99.99 | 99.99 | 0.01 | 0.01 |
| mTouche Cambodia Co. Ltd. [d, e] | Cambodia | 100 | 100 | - | - |
| **Held through mTouche (Vietnam) Co. Ltd.:-** | | | | | |
| Mobile Asia Vietnam Co., Ltd. [b] | Vietnam | 100 | 100 | - | - |
| **Held through mTouche Pte. Ltd.-** | | | | | |
| Nastech Limited [b] | Hong Kong | 100 | 100 | - | - |
| **Held through Nastech Limited.:-** | | | | | |
| Mobile Fusion Pte. Ltd. [b] | Singapore | 100 | 100 | - | - |
| **Held through mTouche (HK) Ltd:-** | | | | | |
| mTouche E Wallet (HK) Limited [d, e] | Hong Kong | 100 | - | - | - |

* equals to the proportion of voting rights held
[a] Audited by Grant Thornton Malaysia
[b] Audited by firms other than Grant Thornton Malaysia
[c] Audited by other member firm of Grant Thornton International Limited
[d] This subsidiary is in dormant and/or do not have significant activities
[e] Special audit was carried out by Grant Thornton Malaysia

6. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

(a) Details of the Group's subsidiaries are as follows (cont'd):-

The principal activities of the subsidiaries are as stated below.

| Name(s) | Principal activities |
|---|---|
| Mobile Touchetek Sdn. Bhd., mTouche International Sdn. Bhd., and mTouche (Thailand) Co. Ltd. | Provision of mobile applications and related technology services. |
| mTouche Pte. Ltd. and mBit Pte. Ltd. | Development of software and programming activities and provide maintenance and support service. |
| PT mTouche | Provider of mobile messaging technology. |
| mTouche (HK) Ltd. | Provision of mobile messaging content services. |
| mTouche (Vietnam) Co. Ltd. and Mobile Asia (Vietnam) Co., Ltd. | Provide mobile messaging technologies, billing platforms and interactive media solutions based on wireless and internet technologies. |
| mTouche Technology Philippines Inc. | Engage in the business of handling and managing of computer data, data processing, data storage, systems design and analysis, software package development, programming, data communication, mobile messaging services, microfilming, and related services like contract programming, computer education, consultancy, hardware maintenance. |
| Nastech Limited | Provision of mobile messaging content services, investment holding and trading of e-commerce. |
| Mobile Fusion Pte. Ltd. | Data communication service and other information service activities. |

(b) Incorporation of a subsidiary

**Group**

On 7 December 2017, the Group through its wholly-owned subsidiary, mTouche (HK) Ltd., incorporated mTouche E Wallet (HK) Limited with an ordinary share capital of 1 Hong Kong Dollar with 1 unit of ordinary share.

Subsequent to the incorporation, mTouche E Wallet (HK) Limited had become a wholly-owned subsidiary of the Group.

(c) Acquisition of a subsidiary

**Group**

On 10 May 2017, the Group had acquired 100% equity interest in Mobile Asia Vietnam Co., Ltd. ("MAVC") through mTouche (Vietnam) Co. Ltd. ("MVCL") at a total consideration of VND500,000,000 (approximately RM95,577). Upon the acquisition, MAVC became wholly-owned subsidiary of the Group.

MAVC was incorporated in Vietnam on 14 March 2013 under Enterprise Registration Certificate No. 0106123756 issued by Hanoi's Planning and Investment Department and the third amendment dated 10 May 2017 as a private limited company and is principally engaged in providing mobile messaging technologies, billing platforms and interactive media solutions based on wireless and internet technologies.

6. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

(c) Acquisition of a subsidiary (cont'd)

**Group (cont'd)**

The fair values of the identifiable assets and liabilities of MAVC as at the date of acquisition were:-

| | **Total RM** |
|---|---|
| **Fair value recognised on acquisition date** | |
| **Assets** | |
| Trade and other receivables and prepayments | 284,147 |
| Tax recoverable | 2,444 |
| Cash and bank balances | 188,064 |
| | 474,655 |
| **Liabilities** | |
| Trade and other payables | (256,728) |
| Total identifiable net assets at fair value | 217,927 |
| Negative goodwill arising on acquisition | 122,350 |
| Purchase consideration transferred | 95,577 |

| | **Total RM** |
|---|---|
| **Cash flows on acquisition** | |
| Net cash acquired from the subsidiary | 188,064 |
| Cash paid | (95,577) |
| Net cash flow on acquisition | 92,487 |

Negative goodwill arising on acquisition of MAVC of RM122,350 has been charged out to statements of profit or loss and other comprehensive income during the financial period.

Impact of the acquisition on the Consolidated Statement of Profit or Loss and Other Comprehensive Income

From the date of acquisition, acquired subsidiary has contributed RM203,906 and RM37,208 to the Group's revenue and loss respectively. If the acquisition had taken place at the beginning of the financial period, the Group's revenue and loss for the financial period from its continuing operations would have been RM628,438 and RM102,779 respectively.

6. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

(d) Proportion of equity interest held by non-controlling interests

**Group**

| **Name** | **Country of incorporation** | **30.6.2018** | **30.6.2017** |
|---|---|---|---|
| PT mTouche ('PTMT') | Indonesia | 51% | 51% |

| | **30.6.2018 RM** | **30.6.2017 RM** |
|---|---|---|
| Accumulated balances of material non-controlling interest in PTMT | (1,756,619) | (1,435,282) |
| Loss allocated to material non-controlling interest in PTMT | (422,529) | (395,930) |

Even though the Group has less than 50% of voting rights, the Board of Directors consider that the Group has significant control over PTMT's Board of Directors and commissioner, both of which are representatives of the Group.

The summarised financial information of PTMT is provided below. This information is based on amounts before inter-company eliminations.

| | **1.7.2017 to 30.6.2018 RM** | **1.1.2016 to 30.6.2017 RM** |
|---|---|---|
| **Summarised statement of profit or loss and other comprehensive income:-** | | |
| Revenue | 1,004,175 | 2,840,040 |
| Cost of sales | (715,877) | (1,940,546) |
| Other income | 5,359 | 52,330 |
| Administrative expenses | (956,066) | (1,445,588) |
| Other expenses | (160,876) | (268,644) |
| Loss before tax | (823,285) | (762,408) |
| Tax expense | (5,204) | (13,926) |
| Loss after tax | (828,489) | (776,334) |
| **Other comprehensive income:-** | | |
| **Item that will not be subsequently reclassified to profit or loss** | | |
| Remeasurement loss on net defined benefit liability | (32,020) | (5,906) |
| Income tax effect | 8,005 | 1,476 |
| **Other comprehensive loss income for the financial year/period, net of tax** | (24,015) | (4,430) |
| **Total comprehensive loss for the financial year/period, net of tax** | (852,504) | (780,764) |
| Attributable to non-controlling interests | (434,777) | (398,190) |

6. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

(d) Proportion of equity interest held by non-controlling interests (cont'd)

| | 30.6.2018 RM | 30.6.2017 RM |
|---|---|---|
| **Summarised statement of financial position:-** | | |
| Property, plant and equipment (non-current) | 37,357 | 52,071 |
| Deferred tax assets (non-current) | 63,549 | 49,292 |
| Cash and bank balances (current) | 164,469 | 654,230 |
| Trade and other receivables (current) | 483,996 | 512,030 |
| Prepayments (current) | 17,001 | 59,583 |
| Trade and payables (current) | (3,844,582) | (3,803,086) |
| Tax payable (current) | (111,864) | (142,506) |
| Defined benefit obligations (non-current) | (254,276) | (195,893) |
| Total equity | (3,444,350) | (2,814,279) |
| Attributable to:- | | |
| Equity holders of Company | (1,687,731) | (1,378,997) |
| Non-controlling interest | (1,756,619) | (1,435,282) |
| | (3,444,350) | (2,814,279) |

| | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM |
|---|---|---|
| **Summarised cash flows information:-** | | |
| Operating activities | (735,645) | (696,412) |
| Investing activities | (5,769) | (50,269) |
| Financing activities | 280,031 | 23,796 |
| **Net decrease in cash and cash equivalents** | (461,383) | (722,885) |

6. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

(e) Disposal of subsidiaries

**Group**

On 29 June 2018, the Company disposed 100% equity interest in Mobile Touchetek Sdn. Bhd. for total cash consideration of RM2,000.

The disposal of Mobile Touchetek Sdn. Bhd. gave rise to a loss of RM5,706,785 in the Company's financial statements.

The effect of the disposal of subsidiary on the statements of financial position of the Group as at the date of disposal were as follows:-

| | Mobile Touchetek Sdn. Bhd. RM |
|---|---|
| Trade and other receivables | 28,284 |
| Tax recoverable | 215,232 |
| Cash and bank balances | 777 |
| Trade and other payables | (22,139,019) |
| Net liabilities | (21,894,726) |
| Gain on disposal | 21,896,726 |
| Proceeds from disposal | 2,000 |
| Less: Cash and bank balances disposed | (777) |
| Net cash inflow from disposal | 1,223 |

On 31 March 2017, the Company disposed 100% equity interest in MTB Securenet Sdn. Bhd. and Juz Technology Sdn. Bhd. for cash consideration of RM180,000 and RM1 respectively.

The disposal of MTB Securenet Sdn. Bhd. and Juz Technology Sdn. Bhd. gave rise to a gain of RM179,998 and a loss of RM1 respectively in the Company's financial statements.

6. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

(e) Disposal of subsidiaries (cont'd)

**Group (cont'd)**

The effect of the disposal of subsidiaries on the statements of financial position of the Group as at the date of disposal were as follows:-

| | MTB Securenet Sdn. Bhd. RM | Juz Technology Sdn. Bhd. RM |
|---|---|---|
| Property, plant and equipment | 349,613 | - |
| Trade and other receivables | 9,200 | - |
| Cash and bank balances | 1,428 | - |
| Trade and other payables | (6,444,444) | (271,901) |
| Net liabilities | (6,084,203) | (271,901) |
| Gain on disposal | 6,264,203 | 271,902 |
| Proceeds from disposal | 180,000 | 1 |
| Less: Cash and bank balances disposed | (1,428) | - |
| Net cash inflow from disposal | 178,572 | 1 |

7. **DEFERRED TAX**

Deferred income tax relates to the following:-

| | As at 1.7.2017 RM | Recognised in profit or loss RM | Recognised in other comprehensive income RM | Exchange differences RM | As at 30.6.2018 RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **30.6.2018** | | | | | |
| **Deferred tax assets** | | | | | |
| Defined benefit obligations | 102,130 | 30,294 | 8,005 | (6,838) | 133,591 |
| **30.6.2017** | | | | | |
| **Deferred tax assets** | | | | | |
| Defined benefit obligations | 59,516 | 39,530 | (1,491) | 4,575 | 102,130 |
| **Deferred tax liabilities** | | | | | |
| Withholding tax | (119,000) | 119,000 | - | - | - |
| **Total** | (59,484) | 158,530 | (1,491) | 4,575 | 102,130 |

7. **DEFERRED TAX (CONT'D)**

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

| | Group | | Company | |
|---|---|---|---|---|
| | 30.6.2018 RM | 30.6.2017 RM | 30.6.2018 RM | 30.6.2017 RM |
| Unutilised tax losses | 40,347,841 | 30,961,956 | 10,946,811 | 3,288,015 |
| Unabsorbed capital allowances | 7,572,809 | 6,471,021 | - | - |
| Property, plant and equipment | (1,249,508) | 250,385 | (9,068) | (2,737) |
| Others | 3,843 | 23,388 | - | - |
| | 46,674,985 | 37,706,750 | 10,937,743 | 3,285,278 |

At the reporting date, the unutilised tax losses and unabsorbed capital allowance that are available for offset against future taxable profits, 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 in Malaysia 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.

8. **TRADE AND OTHER RECEIVABLES**

| | Group | | Company | |
|---|---|---|---|---|
| | 30.6.2018 RM | 30.6.2017 RM | 30.6.2018 RM | 30.6.2017 RM |
| **Current** | | | | |
| **Trade receivables** | | | | |
| Third parties | 12,953,347 | 13,227,698 | - | - |
| Less: Allowance for impairment losses | (24,013) | (28,227) | - | - |
| | 12,929,334 | 13,199,471 | - | - |
| Amounts due from subsidiaries | - | - | 3,899,923 | 29,857,707 |
| Less: Allowance for impairment losses | - | - | (934,901) | (15,427,445) |
| | - | - | 2,965,022 | 14,430,262 |
| | 12,929,334 | 13,199,471 | 2,965,022 | 14,430,262 |

8. **TRADE AND OTHER RECEIVABLES (CONT'D)**

| | Group | | Company | |
|---|---|---|---|---|
| | 30.6.2018 | 30.6.2017 | 30.6.2018 | 30.6.2017 |
| | RM | RM | RM | RM |
| **Other receivables** | | | | |
| Amount due from subsidiaries | - | - | 42,726,120 | 4,668,248 |
| Deposits | 32,482,915 | 927,667 | 65,528 | 208,025 |
| GST/VAT receivable | 172,304 | 4,137 | 41,704 | 3,591 |
| Sundry receivables | 24,926,211 | 6,038,824 | 23,467,159 | 3,695,125 |
| | 57,581,430 | 6,970,628 | 66,300,511 | 8,574,989 |
| Less: Allowance for impairment losses | | | | |
| - Sundry receivables | (13,255,332) | (8,562) | (13,141,900) | - |
| - Amount due from subsidiaries | - | - | (2,449,548) | (1,161,449) |
| | 44,326,098 | 6,962,066 | 50,709,063 | 7,413,540 |
| | 57,255,432 | 20,161,537 | 53,674,085 | 21,843,802 |
| **Non-current** | | | | |
| **Other receivables** | | | | |
| Amount due from subsidiaries | - | - | 16,700,000 | 16,700,000 |
| Less: Allowance for impairment losses | - | - | (16,700,000) | (16,700,000) |
| | - | - | - | - |
| Total trade and other receivables (current and non-current) | 57,255,432 | 20,161,537 | 53,674,084 | 21,843,802 |
| Add: Cash and bank balances (Note 11) | 32,637,025 | 1,631,062 | 30,685,339 | 10,038 |
| Total loans and receivables | 89,892,457 | 21,792,599 | 84,359,423 | 21,853,840 |

(a) **Trade receivables**

Trade receivables are non-interest bearing and are generally on 30 to 90 (30.6.2017: 30 to 90) days of credit terms. They are recognised at their original invoice amounts which represent these fair values on initial recognition.

8. **TRADE AND OTHER RECEIVABLES (CONT'D)**

(a) **Trade receivables (cont'd)**

Ageing analysis of trade receivables

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

| | Group | | Company | |
|---|---|---|---|---|
| | 30.6.2018 RM | 30.6.2017 RM | 30.6.2018 RM | 30.6.2017 RM |
| **Group** | | | | |
| Neither past due not impaired | 2,704,526 | 9,899,463 | - | - |
| 1 to 30 days past due but not impaired | 3,929,833 | 75,596 | - | - |
| 31 to 60 days past due but not impaired | 438,156 | 35,195 | - | - |
| 61 to 90 days past due but not impaired | 27,338 | 3,167,416 | - | 968,950 |
| 91 to 365 days past due but not impaired | 2,749,878 | - | - | - |
| More than 365 days past due but not impaired | 3,079,603 | 21,801 | 2,965,022 | 13,461,312 |
| | 10,224,808 | 3,300,008 | 2,965,022 | 14,430,262 |
| Impaired | 24,013 | 28,227 | 934,901 | 15,427,445 |
| | 12,953,347 | 13,227,698 | 3,899,923 | 29,857,707 |

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 financial year.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM10,224,808 (30.6.2017: RM3,300,008) and RM2,965,022 (30.6.2017: RM14,430,262) 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 receivables amount that are more than 365 days past due but not impaired represent amounts due from subsidiaries.

8. **TRADE AND OTHER RECEIVABLES (CONT'D)**

(a) **Trade receivables (cont'd)**

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 | | Company | |
|---|---|---|---|---|
| | *Individually impaired* | | *Individually impaired* | |
| | 30.6.2018 RM | 30.6.2017 RM | 30.6.2018 RM | 30.6.2017 RM |
| Trade receivables | | | | |
| - nominal amounts | 24,013 | 28,227 | 934,901 | 15,427,445 |
| Less: Allowance for impairment losses | (24,013) | (28,227) | (934,901) | (15,427,445) |
| | - | - | - | - |

Movement in allowance accounts

| | Group | | Company | |
|---|---|---|---|---|
| | 30.6.2018 RM | 30.6.2017 RM | 30.6.2018 RM | 30.6.2017 RM |
| At 1 July 2017/1 January 2016 | 28,227 | 77,404 | 15,427,445 | 15,427,445 |
| Charge for the financial year/ period (Note 19) | 25,462 | 1,276,313 | 341,520 | - |
| Reversal during the financial year/ period (Note 19) | (13,890) | (59,032) | - | - |
| Disposal of subsidiaries | (19,454) | (1,268,605) | (14,834,064) | - |
| Translation difference | 3,668 | 2,147 | - | - |
| At 30 June | 24,013 | 28,227 | 934,901 | 15,427,445 |

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.

8. **TRADE AND OTHER RECEIVABLES (CONT'D)**

(b) **Other receivables**

Other receivables that are impaired

The Group's and 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:-

| | Group | | Company | |
|---|---|---|---|---|
| | *Individually impaired* | | *Individually impaired* | |
| | 30.6.2018 | 30.6.2017 | 30.6.2018 | 30.6.2017 |
| | RM | RM | RM | RM |
| **Current** | | | | |
| Other receivables | | | | |
| -nominal amounts | 13,255,332 | 8,562 | 15,591,448 | 1,161,449 |
| Less: Allowance for impairment losses | (13,255,332) | (8,562) | (15,591,448) | (1,161,449) |
| | - | - | - | - |
| **Non-current** | | | | |
| Other receivables | | | | |
| - nominal amounts | - | - | 16,700,000 | 16,700,000 |
| Less: Allowance for impairment losses | - | - | (16,700,000) | (16,700,000) |
| | - | - | - | - |

Movement in allowance accounts:-

| | Group | | Company | |
|---|---|---|---|---|
| | 30.6.2018 | 30.6.2017 | 30.6.2018 | 30.6.2017 |
| | RM | RM | RM | RM |
| **Current** | | | | |
| At 1 July 2017/1 January 2016 | 8,562 | - | 1,161,449 | 948,394 |
| Charge for the financial year/ period (Note 19) | 3,097,537 | 1,158,562 | 3,735,037 | 213,055 |
| Reversal during the financial year/ period (Note 19) | (4,139,102) | - | (4,139,102) | - |
| Disposal of subsidiaries* | 14,288,335 | (1,150,000) | 14,834,064 | - |
| At 30 June | 13,255,332 | 8,562 | 15,591,448 | 1,161,449 |

* Remaining outstanding balances reclassified from amount due from subsidiaries (trade receivables) to sundry receivables (other receivables).

8. **TRADE AND OTHER RECEIVABLES (CONT'D)**

(b) **Other receivables (cont'd)**

Other receivables that are impaired (cont'd)

The Group's and 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 (cont'd):-

Movement in allowance accounts (cont'd):-

| | Group | | Company | |
|---|---|---|---|---|
| | 30.6.2018 RM | 30.6.2017 RM | 30.6.2018 RM | 30.6.2017 RM |
| **Non-current** | | | | |
| At 1 July 2017/1 January 2016 | - | - | 16,700,000 | 19,890,000 |
| Reversal during the financial year/ period (Note 19) | - | - | - | (3,190,000) |
| At 30 June | - | - | 16,700,000 | 16,700,000 |

(c) **Amounts due from subsidiaries**

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

(d) **Deposits**

Included in the deposits are refundable deposits paid by the Group as part of the precedent conditions as stated in the signed letter of intent for securing two new exclusive rights projects amounted to RM20,190,088 (30.6.2017: RMNil) and RM11,884,541 (30.6.2017: RMNil) with the respective license owner. If the Exclusive Distribution Rights Agreement been executed, it will form as part of the exclusive distribution rights license fee, whereas, if neither party intent to cancel the letter of intent before the formal Exclusive Distribution Rights Agreement been executed, it will be a full refundable deposit with 10% penalty in full within seven working days by the license owner.

(e) **Sundry receivables**

Included in the sundry receivables of the Group and of the Company amounted to RM3,843,332 (30.6.2017: RM4,789,621) and RM3,843,332 (30.6.2017: RM3,024,750), RM236,367 (30.6.2017: RM255,814) and RM236,367 (30.6.2017: RM229,053), RM18,395,062 (30.6.2017: RMNil) and RM18,395,062 (30.6.2017: RMNil) are amount due from the former subsidiaries namely MTB Securenet Sdn. Bhd., Juz Technology Sdn. Bhd. and Mobile Touchetek Sdn. Bhd. respectively.

9. **INVENTORIES**

| | Group | |
|---|---|---|
| | **30.6.2018** | **30.6.2017** |
| | **RM** | **RM** |
| Others | - | 2,493 |

Recognised in profit or loss:-

| | Group | |
|---|---|---|
| | **1.7.2017 to 30.6.2018** | **1.1.2016 to 30.6.2017** |
| | **RM** | **RM** |
| Inventories written off | 2,412 | 3,277 |
| Inventories written down | - | 13,104 |

10. **OTHER INVESTMENTS**

| | Group and Company | |
|---|---|---|
| | **30.6.2018** | **30.6.2017** |
| | **RM** | **RM** |
| **Current** | | |
| Financial assets at fair value through profit or loss | | |
| At fair value:- | | |
| Quoted shares in Malaysia | 1,242,340 | - |
| Market value of quoted share investment | 1,242,340 | - |

11. **CASH AND BANK BALANCES**

| | Group | | Company | |
|---|---|---|---|---|
| | **30.6.2018** | **30.6.2017** | **30.6.2018** | **30.6.2017** |
| | **RM** | **RM** | **RM** | **RM** |
| Cash on hand and at banks | 1,917,514 | 1,343,987 | 38,812 | 6,699 |
| Short-term deposits with licensed banks | 30,719,511 | 287,075 | 30,646,527 | 3,339 |
| Cash and bank balances | 32,637,025 | 1,631,062 | 30,685,339 | 10,038 |

Short-term deposits with licensed banks are made for varying period between 25 and 296 (30.6.2017: 1 and 90) days depending on the immediate cash requirements of the Group and of the Company and earn interests at the respective short-term deposit rates.

11. **CASH AND BANK BALANCES (CONT'D)**

The effective interests rates of short-term deposits with licensed banks at the reporting date ranged from 0.01% to 6.20% (30.6.2017: 0.01% to 8.00%) per annum.

The maturities of these deposits at the respective reporting dates ranged from 25 to 296 (30.6.2017: 1 to 90) days.

For the purpose of the statements of cash flows, cash and cash equivalent comprise the following at the reporting date:-

| | Group | | Company | |
|---|---|---|---|---|
| | 30.6.2018 RM | 30.6.2017 RM | 30.6.2018 RM | 30.6.2017 RM |
| Cash and bank balances | 1,917,514 | 1,343,987 | 38,812 | 6,699 |
| Deposits with maturity of three months or more | 27,691,733 | 45,373 | 27,643,188 | - |
| Deposits with maturity of less than three months | 3,027,778 | 241,702 | 3,003,339 | 3,339 |
| Cash and cash equivalents | 32,637,025 | 1,631,062 | 30,685,339 | 10,038 |

The Group's deposit with maturity of three months or more has remaining maturity period ranging from 149 to 296 days (30.6.2017: 296 days). The effective interest rates of the deposit are ranging from 3.2% to 6.2% (30.6.2017: at 6.2%) per annum.

12. **SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES**

| | Group and Company | | | | | |
|---|---|---|---|---|---|---|
| | Number of ordinary shares | | Amount | | | |
| | Share capital (Issued and fully paid-up) Unit | Treasury shares Unit | Share capital (Issued and fully paid-up) RM | Share premium RM | Total share capital and share premium RM | Treasury shares RM |
| At 1 January 2016 | 231,541,100 | (16,070,600) | 23,154,110 | 14,309,432 | 37,463,542 | (5,212,402) |
| Issuance of share capital pursuant to private placement | 23,154,000 | - | 2,315,400 | - | 2,315,400 | - |
| Par value reduction | (127,347,550) | - | (12,734,755) | - | (12,734,755) | - |
| Disposal of treasury shares | - | 16,070,600 | - | (3,434,655) | (3,434,655) | 5,212,402 |
| Transition to no-par value regime on 31 January 2017 (Note 12(b)) | - | - | 15,069,467 | (10,874,777) | 4,194,690 | - |
| At 30 June 2017 | 127,347,550 | - | 27,804,222 | - | 27,804,222 | - |
| Issuance of share capital pursuant to rights issue of ordinary shares | 381,215,956 | - | 76,243,191 | - | 76,243,191 | - |
| At 30 June 2018 | 508,563,506 | - | 104,047,413 | - | 104,047,413 | - |

12. **SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (CONT'D)**

(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's residual assets.

The new ordinary shares issued in current financial year rank pari passu in all respects with the existing ordinary shares of the Company.

On 9 November 2017, the Company had completed the rights issue of ordinary shares of 381,215,956 units of shares, quoted and listed on the ACE Market of Bursa Malaysia Securities Berhad.

On 7 September 2016, the Company had completed the private placement of 23,154,000 units of shares, quoted and listed on the ACE Market of Bursa Malaysia Securities Berhad.

During the prior financial period, the Company completed the par value reduction exercise pursuant to Section 116(1) of the Companies Act, 2016 in Malaysia to reduce the issued and paid-up ordinary shares in the share capital of the Company via par value reduction on 9 March 2017 and share consolidation on 24 March 2017 which reduced the issued and paid-up share capital of RM12,734,755.

(b) **Share premium**

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 618(3) of the Companies Act, 2016 in Malaysia.

The new Companies Act, 2016 in Malaysia ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM10,874,777 for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(c) **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 sold 16,070,600 shares in the Company through disposal on the Bursa Malaysia Securities Berhad during the previous financial period. The total amount received from the sales were RM1,777,747 and this was presented as a component within shareholders equity.

13. **RESERVES**

| | Warrant reserve RM | Discount on shares RM | Capital redemption reserve RM | Foreign currency translation reserve RM | Other capital reserves RM | Total RM |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| At 1 January 2016 | 9,445,274 | (9,445,274) | 4,194,690 | (5,200,726) | 1,464,843 | 458,807 |
| **Other comprehensive income:-** | | | | | | |
| Foreign currency translation | - | - | - | 689,657 | - | 689,657 |
| **Transaction with owners:-** | | | | | | |
| Transition to no-par value regime on 31 January 2017 | - | - | (4,194,690) | - | - | (4,194,690) |
| At 30 June 2017 | 9,445,274 | (9,445,274) | - | (4,511,069) | 1,464,843 | (3,046,226) |
| **Other comprehensive income:-** | | | | | | |
| Foreign currency translation | - | - | - | (1,792,975) | - | (1,792,975) |
| **Transactions with owners:-** | | | | | | |
| Issuance of Warrants C | 20,966,877 | (20,966,877) | - | - | - | - |
| Expiry of Warrants A | (7,427,595) | 7,427,595 | - | - | - | - |
| At 30 June 2018 | 22,984,556 | (22,984,556) | - | (6,304,044) | 1,464,843 | (4,839,201) |

13. **RESERVES (CONT'D)**

| | Warrant reserve RM | Discount on shares RM | Capital redemption reserve RM | Total RM |
|---|---|---|---|---|
| **Company** | | | | |
| At 1 January 2016 | 9,445,274 | (9,445,274) | 4,194,690 | 4,194,690 |
| **Transaction with owners:-** | | | | |
| Transition to no-par value regime on 31 January 2017 | - | - | (4,194,690) | (4,194,690) |
| At 30 June 2017 | 9,445,274 | (9,445,274) | - | - |
| **Transactions with owners:-** | | | | |
| Issuance of Warrants C | 20,966,877 | (20,966,877) | - | - |
| Expiry of Warrants A | (7,427,595) | 7,427,595 | - | - |
| At 30 June 2018 | 22,984,556 | (22,984,556) | - | - |

(a) **Warrant reserve**

(i) Warrant 2017/2020

The warrants which were listed on the ACE market of Bursa Malaysia Securities Berhad on 9 November 2017 were constituted by a Deed Poll executed on 28 August 2017. The main features of the warrants are as follows:-

(a) Each warrants entitles the holder to subscriber for 1 new ordinary share of RM0.10 each in the Company at a price of RM0.20 per share by cash;
(b) The warrants may be exercised at any time on or before 2 November 2020;
(c) The exercise price and the unexercised warrant are subject to adjustments in accordance with the provisions as set out in the Deed Poll; and
(d) 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.

The outstanding warrants unexercised at the reporting date amounted to 190,607,977 (30.6.2017: Nil).

13. **RESERVES (CONT'D)**

(a) **Warrant reserve (cont'd)**

(ii) 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:-

(a) 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;
(b) Pursuant to share consolidation completed on 24 March 2017, the subscription price of the Warrants 2010/2020 was revised from RM0.27 to RM0.54 per share by cash;
(c) Pursuant to Right Issue of Shares with Free Detachable Warrants on 9 November 2017, the subscription price of the Warrants 2010/2020 was revised from RM0.54 to RM0.48 per share by cash and additional 2,173,723 units of Warrants 2010/2020 was issued;
(d) The warrants may be exercised at any time on or before 16 March 2020;
(e) The exercise price and the unexercised warrant are subject to adjustments in accordance with the provisions as set out in the Deed Poll; and
(f) 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 the Rights Issue of Shares with Free Detachable Warrants completed on 9 November 2017, the outstanding warrants remained unexercised at the reporting date amounted to 26,679,723 (30.6.2017: 24,506,000).

(iii) 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:-

(a) 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;
(b) The warrants may be exercised at any time on or before 17 January 2018;
(c) The exercise price and the unexercised warrants are subject to adjustments in accordance with the provisions as set out in the Deed Poll; and
(d) 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 the additional 22,584,945 Warrants 2008/2018 was issued pursuant to the Right Issue with New Warrants.

Pursuant to the share consolidation completed on 24 March 2017, the subscription price of the Warrants 2008/2018 was revised from RM0.63 to RM1.26 per share by cash.

13. **RESERVES (CONT'D)**

(a) **Warrant reserve (cont'd)**

(iii) Warrant 2008/2018 (cont'd)

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 RM1.26 to RM1.11 and the additional 3,014,080 Warrants 2008/2018 was issued pursuant to the Rights Issue of Shares with Free Detachable Warrants.

On 17 January 2018, the Warrant 2008/2018 had expired. Consequently, the remaining unexercised number of warrants amounted to 36,994,052 had lapsed.

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

(b) **Discount on shares**

The discount on shares is a reserve account that is created to preserve the nominal value of the ordinary shares.

(c) **Capital redemption reserve**

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

The new Companies Act, 2016 in Malaysia ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the capital redemption reserve account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its capital redemption reserve account of RM4,194,690 for purposes as set out in Section 618(4) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(d) **Foreign currency translation reserve**

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

(e) **Other capital reserves**

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

14. **ACCUMULATED LOSSES**

The Company may distribute dividends out of its entire retained earnings as at 30 June 2018 under the single-tier system as and when it has sufficient amount of retained earnings.

## 15. FINANCE LEASE LIABILITIES

| | Group | |
|---|---|---|
| | 30.6.2018 | 30.6.2017 |
| | RM | RM |
| Minimum lease payments | | |
| - not later than 1 year | 113,184 | - |
| - later than 1 year | 442,788 | - |
| | 555,972 | - |
| Less: Future finance charges | (81,898) | - |
| | 474,074 | - |
| Present value of finance lease liabilities | | |
| - not later than 1 year | 98,234 | - |
| - later than 1 year | 375,840 | - |
| | 474,074 | - |

The finance lease liabilities bear interest at rates ranging from 2.39% to 5.58% (30.6.2017: Nil%) per annum.

## 16. DEFINED BENEFIT OBLIGATIONS

**Group**

The Group have defined benefit obligations arising from two of its subsidiaries, mTouche (Thailand) Co. Ltd ("MCL") and PT mTouche ("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.

The defined benefits 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 obligation for both plans are as follows:-

| | Group | |
|---|---|---|
| | 30.6.2018 | 30.6.2017 |
| | RM | RM |
| Defined benefit obligation plans arising from:- | | |
| MCL ("MCL pension plan") | 431,297 | 345,274 |
| PTMT ("PTMT pension plan") | 199,492 | 141,109 |
| | 630,789 | 486,383 |

16. **DEFINED BENEFIT OBLIGATIONS (CONT'D)**

**Group (cont'd)**

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 2016** | 191,853 | 93,433 | 285,286 |
| Current service cost | 140,509 | 22,785 | 163,294 |
| Interest cost | 12,385 | 13,018 | 25,403 |
| Actuarial (gains)/losses recognised in other comprehensive income | (14,837) | 5,906 | (8,931) |
| Foreign exchange differences | 15,364 | 5,967 | 21,331 |
| **Defined benefit obligations at 30 June 2017** | 345,274 | 141,109 | 486,383 |
| Current service cost | 88,195 | 26,915 | 115,110 |
| Interest cost | 11,946 | 15,464 | 27,410 |
| Actuarial losses recognised in other comprehensive income | - | 32,020 | 32,020 |
| Foreign exchange differences | (14,118) | (16,016) | (30,134) |
| Defined benefit obligations at 30 June 2018 | 431,297 | 199,492 | 630,789 |

The amounts recognised in profit and loss, in the administrative expenses line in the statements of profit or loss and other comprehensive income, are as follows:-

| | 30.6.2018 RM | 30.6.2017 RM |
|---|---|---|
| Current service cost | 115,110 | 163,294 |
| Interest cost | 27,410 | 25,403 |
| | 142,250 | 188,697 |

16. **DEFINED BENEFIT OBLIGATIONS (CONT'D)**

**Group (cont'd)**

Principal actuarial assumptions used as follows:-

| | 30.6.2018<br>% | 30.6.2017<br>% |
|---|---|---|
| **MCL pension plan** | | |
| Discount rate | 3.7 | 3.5 |
| Inflation rate | 3.0 | 2.5 |
| Expected rate of salary increases:- | | |
| - prior to age 30 | 12.0 | 12.0 |
| - age 30 onward | 8.0 | 8.0 |
| **PTMT pension plan** | | |
| Discount rate | 8.5 | 9.0 |
| 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<br>RM | Decrease<br>RM |
|---|---|---|
| **30.6.2018** | | |
| Effect on the defined benefit obligations | | |
| - MCL pension plan | 16,986 | (10,638) |
| - PTMT pension plan | 1,948 | (9,341) |
| **30.6.2017** | | |
| Effect on the defined benefit obligations | | |
| - MCL pension plan | 7,442 | (7,908) |
| - PTMT pension plan | 447 | (7,026) |

The actuarial valuation of MCL pension plan was conducted by an independent valuer on 9 August 2017 for the financial year 30 June 2018 and financial period 30 June 2017.

The actuarial valuation of PTMT pension plan was conducted by an independent valuer on 15 February 2018 (30.6.2017: 8 February 2017) for the financial year 30 June 2018 and financial period 30 June 2017.

## 17. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 30.6.2018 RM | 30.6.2017 RM | 30.6.2018 RM | 30.6.2017 RM |
| **Current** | | | | |
| **Trade payables** | | | | |
| Third parties | 3,213,944 | 3,481,886 | - | - |
| Trade accruals | 201,488 | 817,382 | - | - |
| | 3,415,432 | 4,299,268 | - | - |
| **Other payables** | | | | |
| Amount due to subsidiaries | - | - | 170,431 | 11,124,686 |
| Accruals | 3,592,123 | 6,420,543 | 200,360 | 486,040 |
| GST / VAT payables | 641,831 | 15,955 | - | - |
| Sundry payables | 2,263,419 | 651,411 | 645,166 | 671,264 |
| | 6,497,373 | 7,087,909 | 1,015,957 | 12,281,990 |
| Total trade and other payables | 9,912,805 | 11,387,177 | 1,015,957 | 12,281,990 |
| Total financial liabilities carried at amortised cost | 9,912,805 | 11,387,177 | 1,015,957 | 12,281,990 |

(a) **Trade payables**

These amounts are unsecured and non-interest bearing. Trade payables are normally settled on 60 to 90 (30.6.2017: 60 to 90) days of credit term.

(b) **Amounts due to subsidiaries**

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

## 18. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM |
| Rendering of services | 19,553,992 | 36,767,481 | - | - |
| Sales of license software | 35,552 | - | - | - |
| Licensing fees from subsidiaries | - | - | - | 2,064,257 |
| Management fees from subsidiaries | - | - | - | 693,334 |
| | 19,589,544 | 36,767,481 | - | 2,757,591 |

19. **PROFIT/(LOSS) BEFORE TAX**

Profit/(Loss) before tax has been determined after charging/(crediting), amongst others, the following items:-

| | Group | | Company | |
|---|---|---|---|---|
| | **1.7.2017 to 30.6.2018 RM** | **1.1.2016 to 30.6.2017 RM** | **1.7.2017 to 30.6.2018 RM** | **1.1.2016 to 30.6.2017 RM** |
| Amortisation of intangible assets (Note 5) | 212,904 | 19,225 | - | - |
| Depreciation of property, plant and equipment (Note 4) | 382,855 | 1,114,006 | 17,778 | 20,332 |
| Impairment losses on investment in subsidiaries (Note 6) | - | - | 16,500 | 3,615,600 |
| Foreign exchange losses/(gains):- | | | | |
| - realised | 116,510 | 7,503 | 4,724 | (42,072) |
| - unrealised | 279,799 | (444,679) | 3 | - |
| Impairment losses on financial assets | | | | |
| - trade receivables:- (Note 8(a)) | 25,462 | 1,276,313 | 341,520 | - |
| - other receivables (Note 8(b)) | 3,097,537 | 1,158,562 | 3,735,037 | 213,055 |
| Impairment losses on intangible assets (Note 5) | - | 4,196,117 | - | - |
| Operating lease:- | | | | |
| - minimum lease payments for office space | 792,237 | 1,896,943 | - | 50,583 |
| - minimum lease payments for equipment | 6,106 | 9,566 | - | - |
| Property, plant and equipment written off | 273,592 | - | - | - |
| Inventories written off | 2,412 | 3,277 | - | - |
| Inventories written down | - | 13,104 | - | - |
| Bad debts written off | 51,698 | - | - | - |
| Impairment losses on other investments | 752,957 | - | 752,957 | - |
| Reversal of impairment loss on financial assets:- | | | | |
| - Trade receivables (Note 8(a)) | (13,890) | (59,032) | - | - |
| - Other receivables (Note 8(b)) | (4,139,102) | - | (4,139,102) | (3,190,000) |
| Interest income on placement on deposits | (1,067,665) | (36,652) | (1,060,912) | (15) |
| Interest expenses on obligation under finance lease | 6,234 | - | - | - |
| Gain on disposal of property, plant and equipment | (96,907) | - | (42,105) | - |
| (Gain)/Loss on disposal of subsidiaries (Note 6(e)) | (21,896,726) | (6,536,105) | 5,706,785 | (179,997) |
| Negative goodwill on acquisition of a subsidiary (Note 6(c)) | - | (122,350) | - | - |

## 20. TAX EXPENSE

Major components of tax expense

The major components of tax expense for the financial year ended 30 June 2018 and financial period ended 30 June 2017 are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM |
| **Statements of profit or loss:-** | | | | |
| Current tax | | | | |
| - Malaysian tax | 254,629 | - | 254,629 | - |
| - Foreign tax | 613,940 | 2,336,614 | 145,217 | 384,974 |
| - Under provision in respect of previous year | | | | |
| - Foreign tax | 5,428 | - | - | - |
| | 873,997 | 2,336,614 | 399,846 | 384,974 |
| Deferred tax (Note 7) | | | | |
| - Origination and reversal of temporary differences | (30,294) | (158,530) | - | - |
| Income tax expense recognised in profit or loss | 843,703 | 2,178,084 | 399,846 | 384,974 |
| **Other comprehensive income ("OCI"):-** | | | | |
| Deferred tax related to item recognised in OCI during the financial year/period:- | | | | |
| Net gain on actuarial, representing income tax charged to OCI | 8,005 | 1,491 | - | - |

20. **TAX EXPENSE (CONT'D)**

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 financial year ended 30 June 2018 and financial period ended 30 June 2017 are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM |
| Profit/(Loss) before tax | 1,814,080 | 2,839,972 | (6,826,024) | 827,088 |
| Tax at Malaysia statutory tax rate of 24% (1.1.2016 to 30.6.2017: 24%) | 435,379 | 681,593 | (1,638,246) | 198,501 |
| Tax effects in respect of:- | | | | |
| Different tax rates in other countries | (507,601) | (175,374) | - | - |
| Expenses not deductible for tax purposes | 655,197 | 1,409,190 | 1,049,667 | 824,914 |
| Income not subject to tax | (2,042,293) | (1,373,483) | (993,384) | (818,897) |
| Witholding tax | 145,217 | 384,974 | 145,217 | 384,974 |
| Movement of deferred tax assets not recognised | 2,152,376 | 1,251,184 | 1,836,592 | (204,518) |
| Under provision of income tax in respect of previous year | 5,428 | - | - | - |
| Income tax expense recognised in profit or loss | 843,703 | 2,178,084 | 399,846 | 384,974 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (1.1.2016 to 30.6.2017: 24%) of the estimated assessable profit for the financial year/period.

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.

| | Group | |
|---|---|---|
| | 30.6.2018 RM | 30.6.2017 RM |
| Tax saving during the financial year/period arising from:- | | |
| Utilisation of capital allowances and tax losses previously not recognised | 238 | 341,035 |

21. **BASIC/DILUTED EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the profits for the financial year/period, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year/period, excluding treasures 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 financial year ended 30 June 2018 and financial period ended 30 June 2017:-

| | Group | |
|---|---|---|
| | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM |
| Profits, net of tax attributable to owners of the Company used in the computation of basic earnings per share | 1,392,269 | 941,155 |
| Weighted average number of ordinary shares for basic earnings per share computation* | 370,699,105 | 221,321,012 |
| Basic earnings per share for the financial year/period (sen per share) | 0.38 | 0.43 |

* The weighted average number of shares takes into account the weighted average effect of changes in rights issue of shares, share consolidation and treasury shares transactions.

The outstanding warrants have been excluded from the computation of fully diluted losses per share as the exercise of warrant 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 on potential dilution of ordinary shares since the reporting date and before the completion of these financial statements.

22. **EMPLOYEE BENEFITS EXPENSES**

| | Group | | Company | |
|---|---|---|---|---|
| | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM |
| Wages and salaries | 4,398,874 | 7,942,356 | 473,681 | 1,105,941 |
| Bonus | 80,000 | - | 80,000 | - |
| Contribution to defined contribution plan | 222,320 | 505,157 | 22,890 | 129,858 |
| Social security contributions | 71,964 | 78,606 | 876 | 6,602 |
| Short term accumulating compensated absences | - | (53,491) | - | (53,491) |
| Increase in liability for defined benefits obligation (Note 16) | 142,520 | 188,697 | - | - |
| Other benefits | 88,436 | 123,485 | - | 21,036 |
| | 5,004,114 | 8,784,810 | 577,447 | 1,209,946 |

22. **EMPLOYEE BENEFITS EXPENSES (CONT'D)**

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM577,447 (1.1.2016 to 30.6.2017: RM473,349) and RM577,447 (1.1.2016 to 30.6.2017: RM428,146) respectively as further disclosed in Note 23 to the Financial Statements.

23. **DIRECTORS' REMUNERATION**

The details of remuneration receivable by Directors of the Group and of the Company during the financial year/period are as follows:-

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **1.7.2017 to 30.6.2018 RM** | **1.1.2016 to 30.6.2017 RM** | **1.7.2017 to 30.6.2018 RM** | **1.1.2016 to 30.6.2017 RM** |
| Executive Directors:- | | | | |
| Salaries and other emoluments | 473,681 | 447,839 | 473,681 | 402,636 |
| Bonus | 80,000 | - | 80,000 | - |
| Contributions to defined contribution plan | 22,890 | 24,306 | 22,890 | 24,306 |
| Social security contributions | 876 | 1,204 | 876 | 1,204 |
| Total Executive Directors' remuneration (Note 22) | 577,447 | 473,349 | 577,447 | 428,146 |
| Non-executive Directors:- | | | | |
| Fees, representing total Non- executive Directors' remuneration | 133,901 | 193,500 | 133,901 | 193,500 |
| Total Directors' remuneration | 711,348 | 666,849 | 711,348 | 621,646 |

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

| | **Number of Directors** | |
|---|---|---|
| | **1.7.2017 to 30.6.2018 RM** | **1.1.2016 to 30.6.2017 RM** |
| Executive Directors:- | | |
| RM50,001 - RM100,000 | - | 1[b] |
| RM100,001 - RM150,000 | - | 1 |
| RM150,001 - RM200,000 | - | - |
| RM200,001 - RM250,000 | 1 | 1 |
| More than RM250,000 | 1 | - |
| Non-executive Directors:- | | |
| Less than RM50,001 | 3[a] | 4[c] |
| RM50,001 - RM100,000 | 1 | 1 |

[a] Includes one Non-executive Director who has resigned during the current financial year.
[b] Executive Director who has resigned during the previous financial period.
[c] Includes two Non-executive Directors who have resigned during the previous financial period.

## 24. RELATED PARTY TRANSACTIONS

### (a) Significant transactions with related parties

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/period:-

| | Company | |
|---|---|---|
| | **1.7.2017 to 30.6.2018 RM** | **1.1.2016 to 30.6.2017 RM** |
| Licensing fees receivable from subsidiaries* | - | (2,064,257) |
| Management fees receivable from subsidiaries* | - | (693,334) |

* 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/period.

### (b) Compensation of key management personnel

| | Group | | Company | |
|---|---|---|---|---|
| | **1.7.2017 to 30.6.2018 RM** | **1.1.2016 to 30.6.2017 RM** | **1.7.2017 to 30.6.2018 RM** | **1.1.2016 to 30.6.2017 RM** |
| Short-term employee benefits | 554,557 | 642,543 | 554,557 | 597,340 |
| Defined contribution plan | 22,890 | 24,306 | 22,890 | 24,306 |
| | 577,447 | 666,849 | 577,447 | 621,646 |

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling of the Group and the Company either directly or indirectly.

Included in the total key management personnel are Directors' Remuneration as disclosed in Note 23 to the Financial Statements.

## 25. COMMITMENTS

### (a) Operating lease commitments – as lessee

The Group have entered into commercial leases on office premises, with lease term of 3 (30.6.2017: 2) years respectively.

Minimum lease payment recognised in the Group's and the Company's profit or loss for the financial year/period amounted to RM793,143 (1.1.2016 to 30.6.2017: RM1,906,509) and RMNil (1.1.2016 to 30.6.2017: RM50,583) respectively.

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

25. **COMMITMENTS (CONT'D)**

(a) **Operating lease commitments – as lessee (cont'd)**

| | Group | | Company | |
|---|---|---|---|---|
| | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM |
| Not later than 1 year | 161,293 | 456,587 | - | - |
| Later than 1 year but not later than 5 years | 511,387 | 760,585 | - | - |
| | 672,680 | 1,217,172 | - | - |

(b) **Capital commitment**

| | Group and Company | |
|---|---|---|
| | 30.6.2018 RM | 30.6.2017 RM |
| Authorised and contracted for:- | | |
| Computer software | 232,289 | - |

26. **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) | 8 |
| Cash and bank balances (current) | 11 |
| Finance lease liabilities (current and non-current) | 15 |
| Trade and other payables (current and non-current) | 17 |

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 Board of 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.

26. **FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)**

The table below summaries the method used in determining the fair value of financial instruments on a recurring basis at financial year end:-

| Financial instruments | Fair value as at 30.6.2018 RM | Fair value as at 30.6.2017 RM | Fair value hierarchy | Valuation technique and key inputs |
|---|---|---|---|---|
| **Group** | | | | |
| Assets | | | | |
| Other investments | 1,242,340 | - | Level 1 | The fair value of quoted shares are determined by reference to their published market closing price or the quoted closing bid price as of the reporting date. |
| **Company** | | | | |
| Assets | | | | |
| Other investments | 1,242,340 | - | Level 1 | |

There were no transfers between level 1 and level 2 in the reporting period.

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.

27. **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 Executive Director. The audit committee provides independent oversight to the effectiveness of the risks management process.

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

The following sections provide details regarding the Group's and the 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 additions, receivables 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 presented by the carrying amount of each class of financial assets recognised in the statements of financial position.

27. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

(a) **Credit risk (cont'd)**

Exposure to credit risk (cont'd)

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 | | | |
|---|---|---|---|---|
| | 30.6.2018 | | 30.6.2017 | |
| | RM | % of total | RM | % of total |
| **By market** | | | | |
| Matured markets | 12,383,247 | 96% | 12,689,744 | 96% |
| Emerging markets | 546,087 | 4% | 509,727 | 4% |
| | 12,929,334 | 100% | 13,199,471 | 100% |

Information regarding matured markets and emerging markets is disclosed in Note 29 to the Financial Statements.

At the reporting date, revenue from major customers in the matured markets segments are as follows:-

| | Revenue | |
|---|---|---|
| | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM |
| Customer | | |
| Customer A | 3,065,270 | 7,694,327 |
| Customer B | 2,295,850 | 4,468,832 |
| | 5,361,120 | 12,163,159 |

Financial assets that are neither past due nor impaired

Information regarding financial assets that are neither past due nor impaired is disclosed in Note 8 to the Financial Statements.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 8 to the Financial Statements.

27. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

(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.

The following areas of the Group are exposure to liquidity risk:-

| | Carrying amount RM | Contractual cash flows RM | Within 1 year RM | 2 to 5 years RM |
|---|---|---|---|---|
| **30.6.2018** | | | | |
| Finance lease liabilities | 474,074 | 555,972 | 113,184 | 442,788 |

At the reporting date, the Group's and the Company's other financial liabilities will mature in less than one year based on carrying amounts reflected in the financial statements except for finance lease liabilities as disclosed in above table.

The above amounts reflected the contractual undiscounted cash flows of the financial liabilities, which may differ from carrying value of the liabilities at the end of the financial year.

(c) **Interest rate risk**

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

The Group and the Company's fixed rate borrowings are not exposed to a risk of change in their fair value due to changes in interest rates.

The interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group and the Company target a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

The interest rate of the significant interest-bearing financial instruments, based on carrying amounts as at the reporting date are as follows :-

| | Group | | Company | |
|---|---|---|---|---|
| | 30.6.2018 RM | 30.6.2017 RM | 30.6.2018 RM | 30.6.2017 RM |
| **Fixed rate instruments** | | | | |
| Financial assets | | | | |
| Fixed deposits with licensed banks | 30,719,511 | 287,075 | 30,646,527 | 3,339 |
| Financial liabilities | | | | |
| Finance lease liabilities | (474,074) | - | - | - |
| Total | 30,245,437 | 287,075 | 30,646,527 | 3,339 |

27. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

(c) **Interest rate risk (cont'd)**

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

(d) **Foreign currency risk**

Foreign currency risk is the risk that fair value or future cash flows of a financial instruments 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"), the United States Dollar ("USD") and Hong Kong Dollar ("HKD").

Approximately 87% (30.6.2017: 94%) of the Group's sales are denominated in foreign currencies whilst almost 78% (30.6.2017: 77%) 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 RM1,878,152 (30.6.2017: RM1,563,098).

The Group and the Company are also exposed to currency translation risk arising from its net investment in foreign operation in Singapore, Thailand, Philippines, Indonesia, Vietnam, Hong Kong and Cambodia. The investment is not hedged as currency positions in SGD, THB, Philippines Peso ("PHP"), IDR, VND, HKD and USD are considered to be long-term in-nature.

Sensitivity for foreign currency risk

The following tables demonstrate the sensitivity of the Group's loss, net of tax to a reasonably possible change in the following foreign currencies:-

| | **Group** | |
|---|---|---|
| | **30.6.2018** | **30.6.2017** |
| | **RM** | **RM** |
| | **(Loss)/Profit, net of tax** | **Loss, net of tax** |
| RM/SGD – strengthened 1% (30.6.2017: 1%) | (14,000) | (13,000) |
| RM/THB – strengthened 1% (30.6.2017: 1%) | (13,000) | (21,000) |
| RM/HKD – strengthened 1% (30.6.2017: 1%) | (1,000) | (3,000) |
| RM/VND – strengthened 1% (30.6.2017: 1%) | (7,000) | (1,000) |
| RM/IDR – strengthened 1% (30.6.2017: 1%) | (14,000) | (11,000) |
| RM/USD – strengthened 1% (30.6.2017: 1%) | 1,000 | (1,000) |
| RM/EUR – strengthened 1% (30.6.2017: 1%) | (1,000) | - |
| RM/PHP – strengthened 1% (30.6.2017: 1%) | (1,000) | (1,000) |

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.

## 28. 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 financial year ended 30 June 2018 and financial period ended 30 June 2017.

The Group monitors capital using a gearing ratio, which is net debt/(surplus) 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 debts, trade and other payables, less cash and bank balances.

| | Group | | Company | |
|---|---|---|---|---|
| | 30.6.2018 RM | 30.6.2017 RM | 30.6.2018 RM | 30.6.2017 RM |
| Trade and other payables (Note 17) | 9,912,805 | 11,387,177 | 1,015,957 | 12,281,990 |
| Finance lease liabilities (Notes 15) | 474,074 | - | - | - |
| Less: Cash and bank balances (Note 11) | (32,637,025) | (1,631,062) | (30,685,339) | (10,038) |
| Net (surplus)/debt | (22,250,146) | 9,756,115 | (29,669,382) | 12,271,952 |
| Equity attributable to the owners of the Company, representing total capital | 88,270,193 | 12,451,723 | 85,583,038 | 16,565,717 |
| Total capital and net debt | 66,020,047 | 22,207,838 | 55,913,656 | 28,837,669 |
| Gearing ratio | (34%) | 44% | (53%) | 43% |

## 29. 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 that have saturated markets which include Malaysia, Hong Kong, Thailand and Singapore.

(ii) Emerging markets – countries with potential growth and low penetration rate which include Indonesia, Vietnam, Cambodia and 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 negotiated terms agreed between the parties during the financial year/period.

29. **SEGMENT INFORMATION (CONT'D)**

| | Matured markets RM | Emerging markets RM | Eliminations RM | Notes | Per consolidated financial statements RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **1.7.2017 to 30.6.2018** | | | | | |
| **Revenue** | | | | | |
| External customers | 16,047,217 | 3,542,327 | - | | 19,589,544 |
| Inter-segment | 617,566 | 2,358,194 | (2,975,760) | A | - |
| Total revenue | 16,664,783 | 5,900,521 | (2,975,760) | | 19,589,544 |
| **Results** | | | | | |
| Interest income | (1,061,070) | (6,595) | - | | (1,067,665) |
| Interest expenses | 6,234 | - | - | | 6,234 |
| Depreciation and amortisation | 554,938 | 40,821 | - | | 595,759 |
| Other non-cash (income)/ expenses | (21,872,166) | 351,518 | - | B | (21,520,648) |
| Tax expense | (838,499) | (5,204) | - | | (843,703) |
| Segment (loss)/profit | (9,465,209) | (1,324,466) | 12,603,755 | C | 1,814,080 |
| **30.6.2018** | | | | | |
| **Assets** | | | | | |
| Additions to property, plant and equipment | 3,223,453 | 7,462 | - | | 3,230,915 |
| Tax recoverable | 26,972 | - | - | | 26,972 |
| Deferred tax assets | 86,259 | 47,332 | - | | 133,591 |
| Segment assets | 162,109,025 | 2,518,171 | (66,002,564) | D | 98,624,632 |
| Segment liabilities | 90,476,494 | 7,963,023 | (86,346,562) | E | 12,092,955 |
| **1.1.2016 to 30.6.2017** | | | | | |
| **Revenue** | | | | | |
| External customers | 31,538,255 | 5,229,226 | - | | 36,767,481 |
| Inter-segment | 2,840,670 | 476,508 | (3,317,178) | A | - |
| Total revenue | 34,378,925 | 5,705,734 | (3,317,178) | | 36,767,481 |
| **Results** | | | | | |
| Interest income | (18) | (36,634) | - | | (36,652) |
| Depreciation and amortisation | 935,733 | 197,498 | - | | 1,133,231 |
| Other non-cash expenses/ (income) | (435,568) | 56,041 | - | B | (379,527) |
| Tax expense | 2,283,158 | 13,926 | (119,000) | | 2,178,084 |
| Segment (loss)/profit | (2,693,603) | (1,524,573) | 7,058,148 | C | 2,839,972 |

29. **SEGMENT INFORMATION (CONT'D)**

| | Matured markets RM | Emerging markets RM | Eliminations RM | Notes | Per consolidated financial statements RM |
|---|---|---|---|---|---|
| **30.6.2017** | | | | | |
| **Assets** | | | | | |
| Additions to property, plant and equipment | 240,108 | 146,372 | - | | 386,480 |
| Tax recoverable | 441,333 | 20,592 | - | | 461,925 |
| Deferred tax assets | 52,838 | 49,292 | - | | 102,130 |
| Segment assets | 65,678,072 | 2,603,991 | (44,182,104) | D | 24,099,959 |
| Segment liabilities | 82,674,805 | 7,133,722 | (76,730,425) | E | 13,078,102 |

**Notes: Natures 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 | Group 1.7.2017 to 30.6.2018 RM | Group 1.1.2016 to 30.6.2017 RM |
|---|---|---|---|
| Bad debts written off | 19 | 51,698 | - |
| Impairment losses on intangible assets | 5 | - | 4,196,177 |
| Impairment losses on financial assets | 8 | 3,122,999 | 2,434,875 |
| Impairment loss on other investments | 10 | 752,957 | - |
| Inventories written off | 9 | 2,412 | 3,277 |
| Inventories written down | 9 | - | 13,104 |
| Negative goodwill on acquisition of a subsidiary | 6(c) | - | (122,350) |
| Gain on disposal of subsidiaries | 6(e) | (21,896,726) | (6,536,105) |
| Property, plant and equipment written off | 4 | 273,592 | - |
| Unrealised foreign exchange loss/(gain) | 19 | 279,799 | (444,679) |
| Short term accumulating compensated absences | 22 | - | (53,491) |
| Increase in liability for defined benefits obligation | 16 | 142,520 | 188,697 |
| Gain on disposal of property, plant and equipment | 19 | (96,907) | - |
| Reversal of impairment loss on financial assets | 8 | (4,152,992) | (59,032) |
| | | (21,520,648) | (379,527) |

C Inter-segment revenues and expenses amounting to RM12,603,755 (1.1.2016 to 30.6.2017: RM7,058,148) were deducted from segment loss to arrive at "Profit before tax" presented in the consolidated statement of comprehensive income.

29. **SEGMENT INFORMATION (CONT'D)**

**Notes: Natures of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd)**

D Inter-segment assets amounting to RM66,002,564 (30.6.2017: RM44,182,104) were deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position.

E Inter-segment liabilities amounting to RM86,346,562 (30.6.2017: RM76,730,425) were deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

Geographical information

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

| | Group | | | |
|---|---|---|---|---|
| | Revenue | | Non-current assets | |
| | 1.7.2017 to 30.6.2018 RM | 1.1.2016 to 30.6.2017 RM | 30.6.2018 RM | 30.6.2017 RM |
| Matured markets | 16,047,217 | 31,538,255 | 7,178,430 | 902,525 |
| Emerging markets | 3,542,327 | 5,229,226 | 44,324 | 95,342 |
| | 19,589,544 | 36,767,481 | 7,222,754 | 997,867 |

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

| | Group | |
|---|---|---|
| | 30.6.2018 RM | 30.6.2017 RM |
| Property, plant and equipment | 3,298,225 | 787,735 |
| Intangible assets | 3,924,529 | 210,132 |
| | 7,222,754 | 997,867 |

Information about major customer

Information about major customer is disclosed in Note 27(a) to the Financial Statements.

30. **SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

Corporate Exercises

On 9 November 2017, the Company had completed the corporate exercises proposed on 5 December 2016 which include the par value reduction, share consolidation, rights issue of 381,215,956 units of ordinary shares with free detachable of 190,607,977 units of warrants quoted and listed on the ACE Market of Bursa Markets Securities Berhad.

The Employees' Share Option Scheme ("ESOS") was implemented on 13 November 2017 as part of the above corporate exercises. The ESOS shall be in force for a period of 5 years from the effective date and may be extended for such further period, at the sole and absolute discretion of Board of Directors upon recommendation by the ESOS Committee. No options has been granted as at the reporting date.

# Analysis Of Shareholdings

As at 28 September 2018

| | | |
|---|---|---|
| Issued and Paid-Up Share Capital | : | RM 104,047,413.00 comprising of 508,563,506 ordinary shares |
| Class of Shares | : | Ordinary shares |
| Voting Rights | : | One (1) vote per ordinary share |
| Number of shareholders | : | 1,975 |

**Analysis of Shareholdings**

| Holdings | No. of shareholders | % of shareholders | No of shares held | % of shareholdings |
|---|---|---|---|---|
| 1 – 99 | 256 | 12.96 | 12,352 | 0.00 |
| 100 – 1,000 | 177 | 8.96 | 96,248 | 0.02 |
| 1,001 – 10,000 | 455 | 23.04 | 2,890,625 | 0.57 |
| 10,001 – 100,000 | 816 | 41.32 | 33,245,629 | 6.54 |
| 100,001 – 25,428,174* | 266 | 13.47 | 311,015,752 | 61.16 |
| 25,428,175 and above** | 5 | 0.25 | 161,302,900 | 31.71 |
| **TOTAL** | **1,975** | **100.00** | **508,563,506** | **100.00** |

*Note:*
* *less than 5 % of issued shares*
** *5% and above of issued shares*

**List of Substantial Shareholders (based on Register of Substantial Shareholders)**

| Shareholders | Direct | | Indirect | |
|---|---|---|---|---|
| | No. of shares | % | No. of shares | % |
| Kamarudin Bin Meranun | 30,004,001 | 5.90 | - | - |
| Kua Khai Shyuan | 13,649,350 | 2.68 | - | - |

**List of Directors' Shareholdings**

| | Direct | | Indirect | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| Y.M. Raja Hizad Bin Raja Kamarulzaman | - | - | - | - |
| Yong Ket Inn | - | - | - | - |
| Kunamony A/P S.Kandiah | - | - | - | - |
| Tang Boon Koon | 500,000 | 0.098 | - | - |
| Chen Huei Ping | 500,000 | 0.098 | - | - |

As at 28 September 2018

**List of Thirty (30) Largest Shareholders**

| | Name | No. of shares held | Percentage (%) |
|---|---|---|---|
| 1 | Kamarudin Bin Meranun | 54,597,400 | 10.74 |
| 2 | Maybank Securities Nominees (Asing) Sdn. Bhd.<br>Exempt AN for Maybank Kim Eng Securities Pte Ltd (A/C 648849) | 28,056,800 | 5.52 |
| 3 | DB (Malaysia) Nominee (Asing) Sdn. Bhd.<br>Exempt AN for Nomura PB Nominees Ltd | 26,940,100 | 5.30 |
| 4 | Cartaban Nominees (Asing) Sdn. Bhd.<br>Barclays Bank PLC (Re Equities) | 26,100,000 | 5.13 |
| 5 | HSBC Nominees (Asing) Sdn. Bhd.<br>BNP Paribas Secs SVS Paris for Global Prime Partners Ltd | 25,608,600 | 5.04 |
| 6 | CIMSEC Nominees (Asing) Sdn. Bhd.<br>Exempt AN for CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients) | 25,000,000 | 4.92 |
| 7 | Nor Ashikin Binti Khamis | 22,500,000 | 4.42 |
| 8 | SJ Sec Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Kua Khai Loon (SMT) | 17,897,000 | 3.52 |
| 9 | SJ Sec Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Ho Kee Wee (SMT) | 16,981,000 | 3.34 |
| 10 | MIDF Amanah Investment Nominees (Asing) Sdn. Bhd.<br>For Members One Pty. Ltd for Members One Ventures Fund | 12,951,700 | 2.55 |
| 11 | Ho Jien Shiung | 11,619,750 | 2.28 |
| 12 | RHB Capital Nominees (Tempatan) Sdn. Bhd.<br>DSC Systems (M) Sdn. Bhd. | 11,484,000 | 2.26 |
| 13 | Kua Khai Shyuan | 10,004,000 | 1.97 |
| 14 | Siti Munajat Binti Md Ghazali | 9,800,000 | 1.93 |
| 15 | TA Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for M N C Wireless Berhad | 9,000,000 | 1.77 |
| 16 | TA Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Metronic Global Berhad | 8,001,000 | 1.57 |
| 17 | Malacca Equity Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Quek Yong Wah | 7,000,800 | 1.38 |
| 18 | Malacca Equity Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Lai Yee Voon | 6,579,900 | 1.29 |
| 19 | Malacca Equity Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Lai Yee Ling | 5,407,400 | 1.06 |
| 20 | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Kwong Ming Kwei (08KW032ZQ-008) | 5,385,000 | 1.06 |
| 21 | SJ Sec Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Kua Khai Shyuan (SJ10) | 5,220,001 | 1.03 |
| 22 | Malacca Equity Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Piong Yon Wee | 5,000,400 | 0.98 |
| 23 | SJ Sec Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Alex Wong Wai Munn (SMT) | 4,823,000 | 0.95 |
| 24 | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Gan Boon Guat (028) | 4,631,900 | 0.91 |
| 25 | TA Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Tan Chor How Christopher | 4,500,000 | 0.88 |
| 26 | Seik Thye Kong | 4,312,800 | 0.85 |
| 27 | TA Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Pang Chow Huat | 4,200,000 | 0.83 |
| 28 | Nora Ee Siong Chee | 3,472,000 | 0.68 |
| 29 | Lim Keng Chuan | 3,120,000 | 0.61 |
| 30 | Malacca Equity Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Lai Tze Jin | 3,000,600 | 0.59 |
| | **TOTAL** | 383,195,151 | 75.35 |

# Analysis Of Warrant B Holdings

As at 28 September 2018

| | | |
|---|---|---|
| Type of Securities | : | Warrants B |
| Total Number of Warrants Issued | : | 53,250,000 |
| Total Number Of Outstanding Warrants | : | 26,679,723* |
| Exercise Price | : | RM0.48 per warrant* |
| Voting Right | : | The holder of warrants is not entitled to any voting rights |

* The original total number of warrants issued was 53,250,000 and the total number of outstanding warrants and exercise price were adjusted as a result of the renounceable rights issue of every six (6) rights shares with three (3) warrants C for every two (2) existing shares, which was completed on 9 November 2017.

**Distribution of Warrant B Holdings**

| Size of warrantholdings | No. of warrantholders | % of warrantholders | No of warrant held | % of warrantholdings |
|---|---|---|---|---|
| 1 – 99 | 161 | 26.26 | 5,216 | 0.02 |
| 100 – 1,000 | 80 | 13.05 | 40,003 | 0.15 |
| 1,001 – 10,000 | 123 | 20.07 | 460,993 | 1.73 |
| 10,001 – 100,000 | 187 | 30.51 | 7,632,907 | 28.61 |
| 100,001 – 1,333,986* | 61 | 9.95 | 17,108,504 | 64.12 |
| 1,333,987 and above** | 1 | 0.16 | 1,432,100 | 5.37 |
| **TOTAL** | **613** | **100.00** | **26,679,723** | **100.00** |

*Note:*

* *less than 5 % of issued warrants*

** *5% and above of issued warrants*

**Directors' Warrant B Holdings**

| | Direct | | Indirect | |
|---|---|---|---|---|
| | No. of warrantholders | % | No. of warrantholders | % |
| Y.M. Raja Hizad Bin Raja Kamarulzaman | - | - | - | - |
| Yong Ket Inn | - | - | - | - |
| Kunamony A/P S.Kandiah | - | - | - | - |
| Tang Boon Koon | - | - | - | - |
| Chen Huei Ping | - | - | - | - |

# Analysis Of Warrant B Holdings (cont'd)

As at 28 September 2018

**List of Thirty (30) Largest Warrant B Holders**

| | Name | No. of warrants held | Percentage (%) |
|---|---|---|---|
| 1 | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Gan Boon Guat (028) | 1,432,100 | 5.37 |
| 2 | Pang Tat Kang | 1,093,430 | 4.10 |
| 3 | Lee Chew Wah | 979,831 | 3.67 |
| 4 | Yeo Chee Siang | 947,823 | 3.55 |
| 5 | Nora Ee Siong Chee | 756,000 | 2.83 |
| 6 | Cha Fui Yee | 566,124 | 2.12 |
| 7 | Maybank Nominees (Tempatan) Sdn. Bhd.<br>Pang Tat Kang | 511,700 | 1.92 |
| 8 | Liew Soo Kean | 501,045 | 1.88 |
| 9 | Seik Thye Kong | 500,056 | 1.87 |
| 10 | Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account<br>for Chiong Kooi Ching (M04) | 489,915 | 1.84 |
| 11 | Tam Kock Kay @ Tan Kock Kay | 460,000 | 1.72 |
| 12 | Kamaruzaman Bin Mat Shik | 459,932 | 1.72 |
| 13 | Khalizaki Bin Hairan | 431,509 | 1.62 |
| 14 | Maybank Securities Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Heng Poh Suan (R01-Margin) | 364,200 | 1.37 |
| 15 | Siow Jin Ho | 335,320 | 1.26 |
| 16 | TA Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Lee Kean Chon | 328,800 | 1.23 |
| 17 | Kho Soon Bee | 326,610 | 1.22 |
| 18 | Cheu Liong Hua | 326,610 | 1.22 |
| 19 | Lee Yeow Teng | 310,300 | 1.16 |
| 20 | Mohd Harith Bin Abdul Aziz | 304,435 | 1.14 |
| 21 | Cheng Shu Li | 293,949 | 1.10 |
| 22 | Tan Thiam Mooi | 272,200 | 1.02 |
| 23 | Tan Chu Siong | 260,100 | 0.97 |
| 24 | JF Apex Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Paragon Pacific Ventures Sdn. Bhd. (Margin) | 250,401 | 0.94 |
| 25 | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Tan Chyi Chey | 250,200 | 0.94 |
| 26 | Muhammad Hafizuddin Bin Zakaria | 219,800 | 0.82 |
| 27 | SJ Sec Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Sahari Bin Abu Bakar (SMT) | 217,849 | 0.82 |
| 28 | Tan Kok Keng | 217,740 | 0.82 |
| 29 | Tan Kwee Bee | 217,740 | 0.82 |
| 30 | Amsec Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Lee Yan Keong | 217,740 | 0.82 |
| | **TOTAL** | 13,843,459 | 51.88 |

# Analysis Of Warrant C Holdings

As at 28 September 2018

| | | |
|---|---|---|
| Type of Securities | : | Warrants C |
| Total Number of Warrants Issued | : | 190,607,977 |
| Total Number Of Outstanding Warrants | : | 190,607,977 |
| Exercise Price | : | RM0.20 per warrant |
| Voting Right | : | The holder of warrants is not entitled to any voting rights |

**Distribution of Warrant C Holdings**

| Size of warrantholdings | No. of warrantholders | % of warrantholders | No of warrant held | % of warrantholdings |
|---|---|---|---|---|
| 1 – 99 | 4 | 1.26 | 176 | 0.00 |
| 100 – 1,000 | 14 | 4.40 | 4,361 | 0.00 |
| 1,001 – 10,000 | 74 | 23.27 | 434,690 | 0.23 |
| 10,001 – 100,000 | 145 | 45.60 | 6,227,050 | 3.27 |
| 100,001 – 1,333,986* | 77 | 24.21 | 84,079,975 | 44.11 |
| 9,530,399 and above** | 4 | 1.26 | 99,861,725 | 52.39 |
| **TOTAL** | **318** | **100.00** | **190,607,977** | **100.00** |

*Note:*

* *less than 5 % of issued warrants*

** *5% and above of issued warrants*

**Directors' Warrant B Holdings**

| | Direct | | Indirect | |
|---|---|---|---|---|
| | No. of warrantholders | % | No. of warrantholders | % |
| Y.M. Raja Hizad Bin Raja Kamarulzaman | - | - | - | - |
| Yong Ket Inn | - | - | - | - |
| Kunamony A/P S.Kandiah | - | - | - | - |
| Tang Boon Koon | - | - | - | - |
| Chen Huei Ping | - | - | - | - |

# Analysis Of Warrant C Holdings (cont'd)

As at 28 September 2018

**List of Thirty (30) Largest Warrant C Holders**

| | Name | No. of warrants held | Percentage (%) |
|---|---|---|---|
| 1 | HSBC Nominees (Asing) Sdn. Bhd.<br>BNP Paribas Secs SVS Paris for Global Prime Partners Ltd | 58,107,700 | 30.49 |
| 2 | Kamarudin Bin Meranun | 20,474,025 | 10.74 |
| 3 | SJ Sec Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Kua Khai Shyuan (SJ10) | 11,116,400 | 5.83 |
| 4 | Nor Ashikin Binti Khamis | 10,163,600 | 5.33 |
| 5 | Ho Kee Wee | 8,970,000 | 4.71 |
| 6 | SJ Sec Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Kua Khai Loon (SMT) | 8,885,000 | 4.66 |
| 7 | Ho Jien Shiung | 5,809,875 | 3.05 |
| 8 | RHB Capital Nominees (Tempatan) Sdn. Bhd.<br>DSC Systems (M) Sdn. Bhd. | 5,741,500 | 3.01 |
| 9 | Malacca Equity Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Lai Yee Ling | 4,750,500 | 2.49 |
| 10 | TA Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for M N C Wireless Berhad | 4,500,000 | 2.36 |
| 11 | TA Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Metronic Global Berhad | 4,000,000 | 2.10 |
| 12 | Malacca Equity Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Quek Yong Wah | 3,500,400 | 1.84 |
| 13 | Kong Kok Keong | 3,195,000 | 1.68 |
| 14 | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Gan Boon Guat (028) | 2,866,500 | 1.50 |
| 15 | Malacca Equity Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Piong Yon Wee | 2,500,200 | 1.31 |
| 16 | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Kwong Ming Kwei (08KW032ZQ-008) | 1,963,100 | 1.03 |
| 17 | Malacca Equity Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Lai Yee Voon | 1,650,300 | 0.87 |
| 18 | Malacca Equity Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Lai Tze Jin | 1,500,300 | 0.79 |
| 19 | Lee Seng Piow | 1,300,000 | 0.68 |
| 20 | Choo Ah Ngo | 1,250,000 | 0.66 |
| 21 | Seah Kiam Ang | 1,215,000 | 0.64 |
| 22 | Lim Keng Chuan | 1,170,000 | 0.61 |
| 23 | Malacca Equity Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Pang Kia Fatt | 1,100,100 | 0.58 |
| 24 | RHB Capital Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Loke See Ooi (CEB) | 1,090,000 | 0.57 |
| 25 | HLIB Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Boon Kim Yu (CCTS) | 1,027,200 | 0.54 |
| 26 | Kenanga Nominees (Asing) Sdn. Bhd.<br>Pledged Securities Account for Lily Gunawaty | 1,000,000 | 0.52 |
| 27 | Teo Kim Wah | 950,000 | 0.50 |
| 28 | Lim Keng Chuan | 937,500 | 0.49 |
| 29 | Tan Tjin Hian | 808,000 | 0.42 |
| 30 | JS Nominees (Asing) Sdn. Bhd.<br>Pioneer United Limited (JS 803) | 600,000 | 0.31 |
| | **TOTAL** | 172,142,200 | 90.31 |

# Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting ("14th AGM") of the Company will be held at Tioman Room, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 29 November 2018 at 11.00 a.m. for the purpose of considering the following businesses:-

**AGENDA**

**Ordinary Business**

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Explanatory Note 1)**

2. To re-elect Y.M. Raja Hizad Bin Raja Kamarulzaman, a Director who is retiring in accordance with Article 93 of the Company's Constitution. **Ordinary Resolution 1**

3. To re-elect Ms Kunamony A/P S.Kandiah, a Director who is retiring in accordance with Article 93 of the Company's Constitution. **Ordinary Resolution 2**

4. To approve the payment of Directors' fees of RM358,000 for the financial year ended 30 June 2018. **Ordinary Resolution 3**

5. To approve the payment of Directors' fees of RM435,000 for the financial year ending 30 June 2019. **Ordinary Resolution 4**

6. To approve the payment of Directors' remuneration (excluding Directors' Fees) payable to the Board of the Company and its subsidiaries amounting to RM341,463 for the financial period from 30 November 2018 until 30 November 2019. **Ordinary Resolution 5**

7. To re-appoint Messrs Grant Thornton Malaysia as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

**Special Business**

To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:-

8. **Authority to Issue Shares** **Ordinary Resolution 7**

   "THAT subject always to the Companies Act, 2016, Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Sections 75 & 76 of the Companies Act, 2016 to issue and allot not more than ten percent (10%) of the issued capital of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."

9. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD
NG SALLY (MAICSA 7060343)
TEO MEE HUI (MAICSA 7050642)
*Company Secretaries*

Kuala Lumpur
31 October 2018

***Notes :***

1. *A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or at hand of an officer or attorney duly authorised.*

2. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

3. *The instrument of appointing a proxy shall be deposited at the Company's Share Registrar's Office at Shareworks Sdn. Bhd. at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjourned meeting as the case may be.*

4. *Form of Proxy sent through facsimile transmission shall not be accepted.*

5. **GENERAL MEETING RECORD OF DEPOSITORS**
   *For the purposes of determining a member who shall be entitled to attend the 14th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 58 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 21 November 2018. Only the Company's members whose names appear on such Record of Depositors shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on their behalf.*

6. **EXPLANATORY NOTES**

   1) Item 1 of the Agenda

   This Agenda item is meant for discussion only, as the provision of Section 248(1) and Section 340(1)(a) of the Companies Act 2016 ("Act") does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

   2) Items 4, 5 & 6 of the Agenda

   Section 230(1) of the Act provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 14th AGM on the Directors' remuneration in three (3) separate resolutions as below:-

   - Resolution 3 on payment of Directors' fees for the financial year ended 30 June 2018;
   - Resolution 4 on payment of Directors' fees for the financial year ending 30 June 2019; and
   - Resolution 5 on payment of Directors' remuneration (excluding Directors' fees) for the financial period from 30 November 2018 until 30 November 2019 ("Relevant Period").

   The payment of the Directors' Fees for the financial year ended 30 June 2018 and financial year ending 30 June 2019 will only be made if the proposed Resolutions 3 and 4 have been passed at the 14th AGM pursuant to Article 86 of the Company's Constitution and Section 230(1) of the Act.

   The Directors' remuneration (excluding Directors' Fees) comprises the allowances and other emoluments payable to the Board of the Company and its subsidiaries as follows:-

| | **Executive Directors (RM)** | **Independent Non-Executive Directors (RM)** | **Non-Independent Non-Executive Director (RM)** | **Total (RM)** |
|---|---|---|---|---|
| Meeting allowance | 0 | 28,500 | 0 | 28,500 |
| Other Benefits & Emoluments | 312,963 | 0 | 0 | 312,963 |
| **Total** | **312,963** | **28,500** | **0** | **341,463** |

6. **EXPLANATORY NOTES (CONT'D)**

2) Items 4, 5 & 6 of the Agenda (cont'd)

The estimated total amount of remuneration (excluding Directors' Fees) for the Relevant Period of RM341,463 were determined based on the various factors including the number of scheduled meetings for the Board and Board Committees as well as the extent of involvement of the respective Directors.

Payment of Directors' Fees for the financial year ending 30 June 2019 and Directors' Remuneration (excluding Directors' Fees) will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred if the proposed Resolutions 4 and 5 have been passed at the 14th AGM. The Board is of the view that it is just and equitable for the Directors to be paid the Directors' Fees for the financial year ending 30 June 2019 and Directors' remuneration (excluding Directors' Fees) on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the financial period from 30 November 2018 until 30 November 2019. In the event where the payment of Directors' Fees for the financial year ending 30 June 2019 and Directors' Remuneration (excluding Directors' Fees) payable during the above period exceeded the estimated amount sought at the 14th AGM, a shareholders' approval will be sought at the next AGM.

3) Item 8 of the Agenda

The proposed Ordinary Resolution 7, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

This is the renewal of the mandate obtained from the shareholders at the last AGM held on 24 November 2017 ("the Previous Mandate").

The Company has not issed any new shares under the Previous Mandate which was approved at the last AGM which will lapse at the conclusion of the 14th AGM to be held on 29 November 2018. Accordingly, no proceeds were raised at this juncture.

The purpose of this general mandate is for possible fund raising exercises including but not limited to placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitons.

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**MTOUCHE TECHNOLOGY BERHAD**
(Company No. 656395-X)
(Incorporated in Malaysia)

I/We ..............................................................................................................................................................

of ..................................................................................................................................................................

being a Shareholder of **MTOUCHE TECHNOLOGY BERHAD (656395-X)** hereby appoint

| Name | Address | NRIC/ Passport No. | Proportion of Shareholdings (%) |
|---|---|---|---|
| 1. | | | |
| *And/or (delete as appropriate) | | | |
| 2. | | | |

or failing him, THE CHAIRMAN OF THE MEETING, as my/our proxy/proxies, to vote for me/us on my/our behalf at the Fourteenth Annual General Meeting ("14th AGM") of the Company to be held at Tioman Room, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur, on Thursday, 29 November 2018 at 11.00 a.m. or at any adjournment thereof.

My/our proxy/proxies is/are to vote as indicated below:

| **ORDINARY RESOLUTIONS** | | | **FOR** | **AGAINST** |
|---|---|---|---|---|
| Ordinary Resolution 1 | - | Re-election of Y.M. Raja Hizad Bin Raja Kamarulzaman as Director | | |
| Ordinary Resolution 2 | - | Re-election of Ms Kunamony A/P S.Kandiah as Director | | |
| Ordinary Resolution 3 | - | Payment of Directors' Fees for the financial year ended 30 June 2018 | | |
| Ordinary Resolution 4 | - | Payment of Directors' Fees for the financial year ending 30 June 2019 | | |
| Ordinary Resolution 5 | - | Payment of Directors' Remuneration (excluding Directors' fees) payable to the Board of the Company and its subsidiaries | | |
| Ordinary Resolution 6 | - | Re-appointment of Messrs Grant Thornton Malaysia as Auditors | | |
| Ordinary Resolution 7 | - | Authority to Issue Shares | | |

(Please indicate with a cross (X) in the space provided on, how you wish your vote to be casted in respect of the above resolutions. If you do not do so, the proxy may vote or abstain at his/her discretion.)

Dated this ............................. day of ............................. 2018

| | |
|---|---|
| Number of shares held | |
| CDS Account No. | |

...........................................................................

Signature/Common Seal of Shareholder

*Notes:-*

1. *A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or at hand of an officer or attorney duly authorised.*
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Then Fold Here

**Affix stamp**

**MTOUCHE TECHNOLOGY BERHAD** (Company No. 656395-X)
c/o Shareworks Sdn. Bhd.
No. 2-1, Jalan Sri Hartamas 8,
Sri Hartamas,
50480 Kuala Lumpur

1st Fold Here

**MTOUCHE TECHNOLOGY BERHAD** 656395-X

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