2009

ANNUAL REPORT

mTouche™

MTOUCHE TECHNOLOGY BERHAD

(656395-X)

Contents

Financial Statements

Corporate Information

BOARD OF DIRECTORS

Goh Eugene (Wu Eugene)	Chief Executive Officer (Executive Chairman)
Tan Wee Meng (Chen Weiming)	Chief Operating Officer/Chief Financial Officer (Executive Director)
Ng Joo How	Independent Non-Executive Director
Lai Teik Kin	Independent Non-Executive Director
Yee Chee Wai, Patrick	Non-Independent Non-Executive Director

AUDIT COMMITTEE

Ng Joo How (Chairman)
Independent Non-Executive Director

Lai Teik Kin (Member)
Independent Non-Executive Director

Yee Chee Wai, Patrick (Member)
Non-Independent Non-Executive Director

NOMINATING COMMITTEE

Ng Joo How (Chairman)
Independent Non-Executive Director

Lai Teik Kin (Member)
Independent Non-Executive Director

Yee Chee Wai, Patrick (Member)
Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Ng Joo How (Chairman)
Independent Non-Executive Director

Lai Teik Kin (Member)
Independent Non-Executive Director

Yee Chee Wai, Patrick (Member)
Non-Independent Non-Executive Director

COMPANY SECRETARY

Lim Ming Toong (MAICSA 7000281)

Ng Lai Yee (MAICSA 7031768)

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
Suite 39-06 Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-2166 0018
Fax : 03-2166 1028
Website :www.mtouche.com

AUDITORS

Messrs Ernst & Young (AF 0039)
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel : 03-7495 8000

PRINCIPAL BANKER

OCBC Bank (Malaysia) Berhad

SHARE REGISTRAR

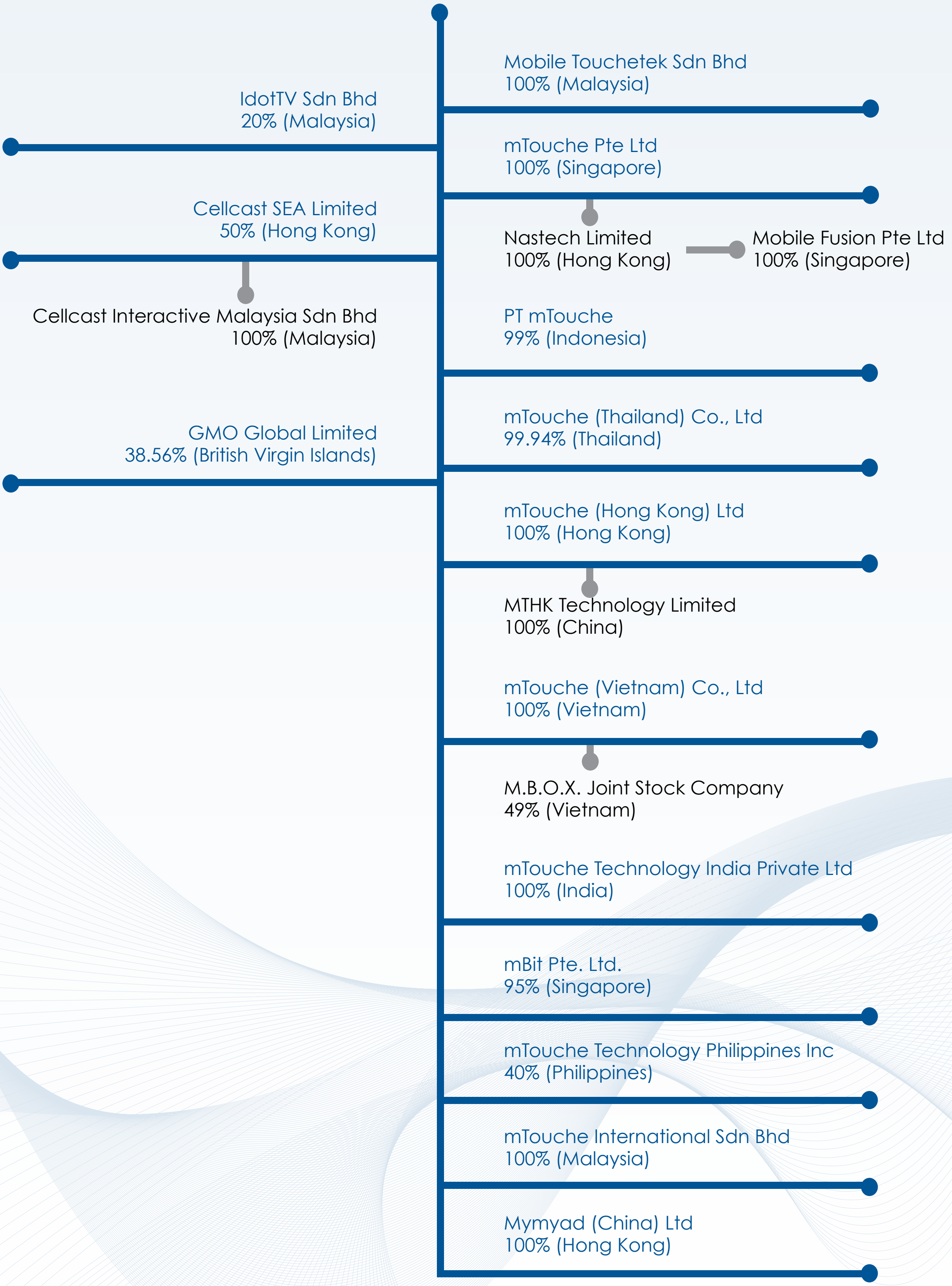
Tricor Investor Services Sdn Bhd (118401-V)
(Formerly known as Tenaga Koperat Sdn Bhd)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-2264 3883
Fax : 03-2282 1886

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

Corporate Structure

mTouche™
MTOUCHE TECHNOLOGY BERHAD
(656395-X)



Profile of Directors

GOH EUGENE (WU EUGENE)

Goh Eugene, a Singaporean, aged 35, was appointed as Chief Executive Officer of our Group on 17 June 2004. He was redesignated as Chairman cum Chief Executive Officer of our Group with effect from 20 February 2006.

Eugene is the founder of mTouche Pte Ltd ("MPL") and a major contributor to the setting-up of MPL's pioneering operations in Singapore. Prior to the setting up, Eugene was the founder of Startech Interactive Pte Ltd ("Startech") which spun off MPL (mTouche, a division of Startech) subsequently in June 2002. Under his guidance, our Group has grown and expanded exponentially into other Southeast Asia markets such as Malaysia, Indonesia and Thailand with local offices set up in each country. With this, our Group is one of the mobile technology platform service providers in the world to have direct server connections to all MNOs in Singapore, Malaysia, Indonesia and Thailand, thereby offering an unparallel reach to regional customers.

Eugene graduated with a Bachelor degree in Business Administration from the National University of Singapore in 1999.

TAN WEE MENG (CHEN WEIMING)

Tan Wee Meng, a Singaporean, aged 35, was appointed as Chief Operating Officer and Chief Financial Officer on 17 June 2004. He is responsible for the financial management of the Group.

Wee Meng is a co-founder of MPL. Prior to setting up MPL, Wee Meng has several years of working experience in the mobile computing and telecommunications industry. He served with a mobile operator in Singapore from November 2000 till July 2002 where he defined and developed strategies for channel partnerships, mobile solutions and products dedicated to enterprise businesses. This included market development and marketing of 2.5G services and infrastructure for the corporate sector. He also pioneered the solution sales unit converging hardware, applications and wireless communications technologies via strategic alliances for the business marketplace.

Wee Meng is a member with Institute of Certified Public Accountant of Singapore (ICPAS). He graduated with an Upper Class Honours Degree in Accountancy from Nanyang Technological University in Singapore 1999.

NG JOO HOW

Ng Joo How, a Malaysian, aged 55, was appointed as Independent Non-Executive Director on 20 May 2005. Joo How is also the Chairman of Audit Committee, Nominating Committee and Remuneration Committee.

Joo How is a Fellow member of The Association of Chartered Certified Accountants, United Kingdom (ACCA). He has been an active member of the Malaysian Chapter of ACCA and served as its vice president from July 1997 to August 1998. Joo How was the Delegate representing Malaysia in the International Assembly of ACCA in London from 1998 to 2000 and from 2004 to 2008. He is also a member of the Malaysian Institute of Accountants as a Chartered Accountant and the Chartered Tax Institute of Malaysia (formerly known as the "Malaysian Institute of Taxation").

Joo How has more than 25 years experience in the field of accountancy and tax practices. He has been in public practice as an Approved Company Auditor for more than 25 years and is currently the Managing Partner of Messrs. Ng Joo How & Wan, a Chartered Accountants firm.

Profile of Directors (cont'd)

LAI TEIK KIN

Lai Teik Kin, a Malaysian, aged 46, was appointed as Independent Non-Executive Director on 20 May 2005. Teik Kin is also a member of the Audit Committee, Nominating Committee and Remuneration Committee.

Teik Kin is a co-founder of Nova MSC Berhad which was listed on the MESDAQ Market in August 2003. He is the Chief Business Development officer for the Nova MSC Group and Chief Executive Officer of novaHEALTH Pte Ltd. He started his career in 1988 as a Supervisor with Baxter Healthcare in Malaysia. From 1989 to 1992, he joined the Housing & Development Board of Singapore as a surveyor. Thereafter, he left to be a Product Specialist of Siemens-Nixdorf Information Systems Pte Ltd from 1992 to 1993. From 1993 to 1995, he was employed in the IT Division of Siemens Pte Ltd as a Senior Consultant. Throughout these positions, he had been involved in the pre-sales, consultancy and project management of large-scale IT projects, both in Singapore and abroad. Among his achievements were the winning of major projects for the development of application software from Singapore's two major hospitals and a private hospital.

Teik Kin holds a Bachelor (Hons) in Surveying from the University of Queensland, Australia.

YEE CHEE WAI, PATRICK

Yee Chee Wai, Patrick, a Malaysian, aged 45 was appointed as Non-Independent Non-Executive Director on 31 March 2008. He is also a member of the Audit Committee, Nominating Committee and Remuneration Committee.

Patrick is a member of the Malaysian Institute of Accountants as a Chartered Accountant and Malaysian Institute of Certified Public Accountants as a Certified Public Accountant. He has more than 16 years of investment banking experience, in particular, the corporate finance activities such as initial public offerings, capital raising exercises, mergers and acquisitions, corporate restructuring and underwritings of equity issues.

Patrick is currently the Executive Director/Chief Operating Officer of OSK Ventures International Berhad. He has been an investment banker with various investment banks in Malaysia from June 1991 to year 2007. He began his career in the investment banking industry with Affin Investment Bank Berhad and his last posting in the industry before joining OSK Venture Equities Sdn Bhd in August 2007 was with Public Investment Bank Berhad, where he worked for more than 6 years as General Manager.

Patrick is a Director of eBworx Berhad, Maxwell International Holdings Berhad and OSK Ventures International Berhad as well as an Alternate Director of Green Packet Berhad.

Notes to Directors' Profiles

The Directors do not have directorship in other public listed companies in Malaysia, except as disclosed for Yee Chee Wai, Patrick.

The Directors do not have any family relationship with any other Directors and/or major shareholders of the Company.

The details of the Directors' securities holdings are set out in the Analysis of Shareholdings as at 5 April 2010 as set out on page 88 of this Annual Report.

The details of the Directors' attendance at Board and Audit Committee meetings are set out on page 9 and 13 of this Annual Report respectively.

None of the Directors have been convicted for any offences within the past ten (10) years other than traffic offences, if any, nor have any conflict of interest with the Company.

The composition of the Board of Directors complies with Rule 15.02 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")("ACE LR") whereby the number of Independent Directors exceeds 1/3 of the Board.

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of mTouche Technology Berhad for the financial year ended 31 December 2009.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2009, the Group recorded revenue of approximately RM42.8 million, representing an increase of 9.46% as compared to the revenue RM39.1 million recorded in the previous year. This increase in revenue was fuelled by our Group's businesses as well as our new revenue stream from our mobile social networking platform.

Despite the Group's increase in revenue, the Group recorded loss before tax of approximately RM64.9 million. The loss was mainly attributed to the provisions for impairment of investments, intangible assets and goodwill, and share of loss from its associate company.

CORPORATE DEVELOPMENT

During the year, the Group disposed of its non-core businesses, namely Inova Venture Pte. Ltd. and Rayson Management Ltd., as the Group realigned its overall business strategy. The Group is currently back on track with a strong focus on its core mobile messaging and content platform services and operations.

The Company also undertook renounceable rights issue of 133,125,000 new ordinary shares of RM0.10 each on the basis of one rights share for every one existing ordinary share together with 53,250,000 free detachable warrants on the basis of two new warrants for every five rights shares subscribed at an issue price of RM0.10 per rights share ("Rights Issue"). The Rights Issue was completed on 19 March 2010.

BUSINESS DEVELOPMENT

The year 2009 was a challenging year for the Group due to the prevailing global recession and weak market conditions. However, mTouche saw an encouraging increase in subscribers to more than 700,000 and increase in revenue for our mobile social network platform during the year. The relevance of social networking as a driver for consumer mobile web adoption is rapidly increasing with advances in smartphones adoption, browser and mobile web application technologies which have boosted the take-up and usage of mobile social networking sites through improved user experience and engagement.

Chairman's Statement (cont'd)

In addition, our subsidiary, mBit Pte Ltd entered into a strategic partnership with VASSoft.net (a unit owned by Himenviro Enviromental Technologies Pvt. Ltd. Delhi), to form a joint venture company namely, mBit Infotech Pvt Ltd to launch its mBit Network platform in India. This joint venture is to enable us to expand our market share and/or open new overseas markets to market and distribute our mBit Network solution and value added service software and services to the India market. In a first breakthrough, mBit has signed a letter of intent with Aircel, a major mobile network operator in India for the launch of mBit.

mTouche is also looking to benefit from the growing appeal of mobile advertising, whereby we had launched our own mobile advertising network platform in 2008. We are further expected to gain from the rollout of the 3G networks in China, enabling a far broader and deeper market for mobile applications whereby users can be offered sophisticated applications such as global positioning search, mobile reading and music search at faster speeds.

RESEARCH AND DEVELOPMENT ("R&D")

mTouche is at the forefront of mobile technology aided by continuous R&D in its business operations to ensure its competitiveness and future growth in the industry. To date, mTouche has continued to consolidate and enhance our existing messaging platforms for adaptation to the 3G technology. In addition, mTouche has expanded our products and services to the popular Apple Iphone, Google Android and Blackberry development platforms.

mTouche will continue to keep abreast of the mobile technology industry in line with the industry's progress to the 4G standards, as well as the strong uptake of mobile broadband technology, most notably Wimax and Long Term Evolution ("LTE") technology which will boost the uptake of mTouche's products and services.

PROSPECTS

The communication sub-sector in Malaysia is expected to continue growing, driven by strong expansion in the telecommunications industry, with robust performance of the segment attributed to greater usage of voice, date and multimedia services due to increase smartphones usage as well as enhanced service quality and network capex expansion by service providers. In Asia Pacific, increasing number of 3G uptake, advancements in the mobile phone applications and features will further boost the segment. Prospects in this segment are envisaged to remain encouraging as service providers continue to be innovative in providing high-end services such as 3G and mobile broadband.

mTouche will continue to consolidate its position with its expertise in mobile messaging technologies and interactive media applications to tap on this rising trend in South East Asia. We expect our business to be driven by our core business, as well as new revenue streams from our mobile social networking and mobile advertising network platforms, as well as the extension of our products into the new development platforms such as Apple Iphone, Google's Android and the Blackberry platform.

APPRECIATION

I would like to take this opportunity to thank the shareholders, management, staffs, customers, business partners and all stakeholders for the support throughout this challenging year. We will strive and work together to make 2010 a great year.

GOH EUGENE
Chairman

Statement on Corporate Governance

THE IMPORTANCE OF CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed in ensuring good corporate governance throughout the Group as a fundamental part of discharging its responsibilities to protect and to enhance all aspect of stakeholders' value. To this end, the Board has complied with the Malaysian Code on Corporate Governance ("the Code").

The Board has taken measures and efforts to ensure as far as practicable, the adoption and the implementation of the Code's Best Practices and the compliance with ACE LR.

The Board is pleased to outline the key principles and best practices of the Group, taken as a whole, which forms the system of governance adopted by the Board.

A. DIRECTORS

The Board

An effective Board with diversed background leads and controls the Group to ensure capable management. It resolves key business matters and corporate policies except those reserved for shareholders as provided in the Articles of Association in accordance with the Companies Act 1965, ACE LR and other regulations.

The Board consists of competent individuals with appropriate specialised skills and knowledge to successfully direct, supervise and manage the Group's business as a going concern, which encompassed issues of setting strategic business directions, overseeing conducts and affairs, developing shareholders and investors relations and communications, reviewing the system on internal control and succession planning.

The Board takes full responsibility for the performance of the Group and provides strategic direction and effective control of the Group. The Board complements an executive management team in delivering sustainable added value for shareholders.

In discharging its fiduciary duties, the Board is assisted by Board Committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee. Each Committee operates within its respective specific terms of reference which have been approved by the Board. The ultimate responsibility for the final decision on all matters, however, lies with the Board of Directors as a whole.

Board Composition and Balance

The Board currently has five (5) members, comprising two (2) Executive Directors, two (2) Independent Non-Executive Directors and One (1) Non-Independent Non-Executive Director. Together, the Directors bring a wide range of business and financial experience which added value to the Group. The profile of each Director is presented on page 4 and 5 of this Annual Report.

In recognition of the Chief Executive Officer's role as the co-founder of the mTouche Group, he is also appointed as Executive Chairman of the Board. The Board is comfortable that there is no undue risk involved in this convergence of roles.

The presence of Independent Non-Executive Directors fulfils a pivotal role in corporate accountability with their unbiased and independent views, advice and judgement to take into account of the long term interests of the shareholders, employees, customers and the Group's business associates, which ensure that no one individual dominates the decisions of the Board. The Board considers its current size as adequate, given the present scope of work and nature of the Group's business operations and the investment of the minority shareholders is fairly reflected in the Board representation.

Balance in the Board is achieved and maintained where the composition of the members of the Board are professionals and entrepreneurs, with the combination of industrial knowledge, broad business ideas and commercial experiences. Such balance enables the Board to provide effective leadership in all aspects, as well as maintaining high standards of governance and integrity in making decisions relating to strategy, performance, internal control, investors' relation and human resource management.

Mr Ng Joo How was appointed as the Senior Independent Non-Executive Director to whom concerns may be conveyed by contacting him at njhow@mtouche.com.

Statement on Corporate Governance (cont'd)

A. DIRECTORS (cont'd)

Board Meetings

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. The Executive Chairman, with the assistance of the Management and the Company Secretary, is responsible for setting the agenda for Board Meetings.

The Board met five (5) times during the financial year 31 December 2009. The record of meeting attendance is as follow: -

Director	Position	Attendance	%
Goh Eugene (Wu Eugene)	Executive Chairman / Chief Executive Officer	5/5	100
Tan Wee Meng (Chen Weiming)	Chief Operating Officer / Chief Financial Officer	5/5	100
Ng Joo How	Independent Non-Executive Director	5/5	100
Lai Teik Kin	Independent Non-Executive Director	5/5	100
Yee Chee Wai, Patrick	Non-Independent Non-Executive Director	5/5	100
Lam Chi-Wye, Jason (resigned on 16 November 2009)	Alternate Director to Yee Chee Wai, Patrick	3/5	60
Chan Ken Yew (Appointed on 16 November 2009 and resigned on 22 February 2010)	Alternate Director to Yee Chee Wai, Patrick	-	-

Supply of Information

The Board recognises that decision making process is highly contingent on the strength of information furnished. As such, Directors have unrestricted access to any information pertaining to the Group.

The Executive Chairman plays a key role in ensuring that all Directors have full and timely access to information with Board papers circulated at least three (3) working days in advance of Board meetings. This ensures that Directors have sufficient time to appreciate issues deliberated at the Board meetings and expedite their decision making process.

Every Director has unrestricted access to advice and services of the Company Secretary. The Board believes that the Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board while the terms of appointment permit her removal and appointment only by the Board as a whole.

The Audit Committee plays a pivotal role in channeling pertinent operational and assurance related issues to the Board. The Committee partly functions as a filter to ensure that only pertinent matters are tabled at the Board level.

Directors' Training

The Board oversees the training needs of its Directors. All Directors have completed the Mandatory Accredited Programme prescribed by Bursa Securities.

All Directors were constantly given in-house briefings by the Company Secretary on the various amendments to the ACE LR. Besides the periodical briefings, the Directors have attended the following seminars:
- Financial Instruments: Recognition, Measurement, Disclosure and Presentation
- Corporate Governance Guide – Towards Boardroom Excellence
- The Inside Story of the Annual Report: What You Need to Know
- National Tax Conference 2009
- 2010 Budget Seminar Highlights and Implications

Statement on Corporate Governance (cont'd)

A. DIRECTORS (cont'd)

Appointment of Directors and Re-election

Majority of the Nominating Committee are Independent Non-Executive Directors. The Nominating Committee is responsible for identifying and recommending to the Board suitable nominees for appointment to the Board and Board Committees. A mix of skills and other qualities of the nominees will be considered by the Nominating Committee before recommending any nominees to the Board. The terms of reference of the Committee are set out in pages 18 to 19 of this Annual Report.

The Articles of Association provides that at least one-third of the Board is subject to retire by rotation at each Annual General Meeting ("AGM"). The Directors to retire in each year are the Directors who have been the longest in office since their appointment or re-appointment. A retiring Director is eligible for re-election. This provides an opportunity for shareholders to renew their mandates. The election of each Director is voted on separately. To assist shareholders to renew their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for election are furnished in a separate statement accompanying the Notice of the AGM.

The Nominating Committee met once during the financial year ended 31 December 2009. The meeting attendance is as follow: -

Director	Attendance	%
Ng Joo How	1/1	100
Lai Teik Kin	1/1	100
Yee Chee Wai, Patrick	1/1	100

B. DIRECTORS' REMUNERATION

The Board

The Remuneration Committee was established to assist the Board in determining the Executive Directors' remuneration. The remuneration of Non-Executive Directors should be determined by the Board of Directors as a whole. The current Remuneration Committee comprises of Non-Executive Directors only and the terms of reference of the Committee are set out in page 19 of this Annual Report.

The Remuneration Committee met once during the financial year ended 31 December 2009. The record of meeting attendance is as follow: -

Director	Attendance	%
Ng Joo How	1/1	100
Lai Teik Kin	1/1	100
Yee Chee Wai, Patrick	1/1	100

The aggregate remuneration of Directors for the financial year ended 31 December 2009 is categorised as follow:

	Executive Directors RM'000	Non-Executive Directors RM'000
Fees	-	105
Salaries and other emoluments	1,206	-
	1,206	105

Statement on Corporate Governance (cont'd)

B. DIRECTORS' REMUNERATION (cont'd)

Analysis of Remuneration

	No of Directors	
	Executive	Non-Executive
Below RM50,000	-	3
RM600,001 to RM650,000	2	-

For security and confidential reasons, the details of individual Directors' remuneration are not shown. The Board is of the opinion that the transparency and accountability aspect of corporate governance as applicable to Directors' remuneration are appropriately served by the disclosures made above.

C. SHAREHOLDERS

The Company values good communication with its shareholders and investors. The Board and Management ensure timely dissemination of information on the Company's performance and other matters affecting interests of the shareholders and investors through announcements, circulars, press releases and distribution of annual reports.

The AGM is the principal avenue for dialogues and interaction with the shareholders. At the AGM, the Board presents the progress and performance of the Group. Shareholders present are given opportunity to present their views or to seek more information, and all Board Members, Senior Management and the Group's External Auditors are available to respond to shareholders' enquiries during the meeting. However any information that may be regarded as undisclosed material information about the Group will not be given.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a fair and meaningful assessment of the Group's financial performance and prospects to the shareholders, primarily through the annual financial statements and quarterly announcement of results as well as the Chairman's statement and review of operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the accuracy, adequacy and completeness of its financial reporting.

Statement on Internal Control

The Statement on Internal Control furnished on page 15 of this Annual Report provides an overview on the state of internal control within the Group.

Relationship with Auditors

The Company's external auditors, Messrs Ernst & Young has continued to report to shareholders of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the Auditors to meet their professional requirements. From time to time, the Auditors will highlight to the Audit Committee and Board of Directors on matters that require Board's attention.

The role of the Audit Committee in relation to the external auditors is set out in the Audit Committee Report on page 13 of this Annual Report.

D. ACCOUNTABILITY AND AUDIT (cont'd)

Directors' Responsibility Statement

The Directors are required to ensure that the financial statements of the Group and Company are drawn up in accordance with the applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965, so as to give a true and fair view of the state of affairs of the Group and the Company for the financial year ended.

In preparing the financial statements, the Directors have ensured appropriate accounting policies are adopted and applied consistently, and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Audit Committee Report

MEMBERSHIP

The present members of the Audit Committee (the "Committee") comprise:

Ng Joo How	- Chairman, Independent Non-Executive Director
Lai Teik Kin	- Independent Non-Executive Director
Yee Chee Wai, Patrick	- Non-Independent Non-Executive Director

MEETINGS

The Committee convened five (5) meetings during the financial year ended 31 December 2009. The record of meeting attendance is as follow: -

Director	Attendance	%
Ng Joo How	*5/5*	*100*
Lai Teik Kin	*5/5*	*100*
Yee Chee Wai, Patrick	*5/5*	*100*

The Chief Executive Officer, other members of the Board, senior management, external auditors and internal auditors attended the meetings upon invitation by the Committee. The Committee had met twice with the external auditors on separate session without the presence of management.

The meetings were appropriately structured throughout the use of agendas, which were distributed to members with sufficient notification.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2009, the Committee carried out its duties in accordance with Terms of Reference which included the following:

1. Reviewed the quarterly unaudited results, audited financial statements and annual report which are recommended for the Board of Directors' adoption;

2. Reviewed the external auditors' audit planning memorandum of the Group;

3. Reviewed the issues and results arising from external audit and the resolutions of such issues highlighted;

4. Reviewed and ensured the adequacy of the scope and coverage of the audit plan proposed by the internal auditors and approved the audit plan for audit execution;

5. Reviewed the internal audit reports and the results and recommendations arising from the reviews conducted by the outsourced internal audit function; and

6. Reviewed related party transactions entered into by the Company and the Group, the approval process and disclosure of such transactions.

Audit Committee Report (cont'd)

TERMS OF REFERENCE

The terms of reference of the Committee are set out in pages 16 to 19 of this Annual Report.

INTERNAL AUDIT FUNCTION

The Internal Audit Function, which is outsourced to a professional services firm, assists the Committee in ensuring the adequacy and effectiveness of the internal control systems. The activities of the Internal Audit Function during the financial year ended 31 December 2009 were as follows:

(a) Conducted internal audit reviews in accordance with the internal audit plan approved by the Committee;

(b) Reported the results of internal audits and made recommendations for improvements to the Committee on a periodic basis; and

(c) Performed follow-up visits to ensure that recommendations for improvement were satisfactorily implemented.

The internal audits conducted did not reveal any weaknesses which would result in material losses, contingencies or uncertainties that would require separate disclosure in the Annual Report.

The costs incurred for the internal audit function in respect of the financial year ended 31 December 2009 was RM48,000.

Statement on Internal Control

Pursuant to Rule 5.0, Guidance Notes 11 of the ACE LR, the Board is required to make a statement in the annual report on the state of the internal control of the Group. In this respect, the Board is pleased to present the following Statement on Internal Control prepared in accordance with the ACE LR and as guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

BOARD RESPONSIBILITY

The Board is ultimately responsible for the Group's system on internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system on internal control covers, inter alia, financial, organisational, operational and compliance controls.

KEY ELEMENTS OF INTERNAL CONTROL

The Group has a number of internal controls in place. The controls include the following:

- Established management structure of the Group with clearly defined lines of responsibilities and appropriate levels of delegation and authority.

- Defined authorisation procedures for major operational and financial functions including sales, purchases, receipts, payment and capital expenditures which are subject to continuous review throughout the year.

- Regular meetings are held at operational and management levels to review, discuss and resolve business, financial, operational and management issues. The key operational and strategic business developments together with the financial performance are monitored.

- A Group risk management framework has been implemented where key business risks faced by respective countries are continuously being identified, assessed, monitored and managed consistently. This framework ensures that appropriate procedures are put in place to mitigate the exposure of those risks.

- Policies and procedures for key business and financial processes have been continuously reviewed by the directors to promote efficiency and accountability.

INTERNAL AUDIT

The Group outsourced its internal audit function to a professional services firm to provide the Audit Committee and the Board with the assurance they require pertaining to the adequacy and effectiveness of internal control systems. The results of the audits and recommendations for improvement were presented at the Audit Committee's quarterly meetings. Although a number of internal control weaknesses were identified during the internal audit review, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

ASSURANCE

In view of the Group's current business activities, the Board is of the view that the above monitoring and reporting processes which have been put in place provide an adequate check and balance. Nevertheless, the Board recognises that the system must continuously evolve and improve to support the Group's business activities.

Terms of Reference

AUDIT COMMITTEE

Primary Purpose

The Audit Committee shall:

1. Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for the Company and all its wholly and majority owned subsidiaries ("Group").
2. Improve the Group's business efficiency, the quality of the accounting function, the system of internal control and audit function and strengthen the confidence of the public in the Group's reported results.
3. Maintain through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as internal auditors.
4. Enhance the independence of both the external and internal auditors functions through active participation in the audit process.
5. Strengthen the role of the Independent Directors by giving them a greater depth of knowledge as to the operations of the Company and the Group through their participation in the Committee.
6. Act upon the Board of Directors' request to investigate and report on any issues or concerns in regards to the management of the Group.

Composition

The Audit Committee shall be appointed by the directors from amongst themselves which fulfils the following requirements: -

1. The Audit Committee shall be composed of no fewer than three (3) members;
2. All Audit Committee members must be non-executive directors, with a majority of them being independent directors;
3. At least one (1) member of the Audit Committee:

    (i) must be a member of the Malaysian Institute of Accountants; or

    (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:

    (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1965; or

    (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

    (iii) fulfils such other requirements as prescribed by Bursa Securities.

4. The Chairman of the Audit Committee shall be an independent director; and
5. The alternate director shall not be a member of the Audit Committee.

Authority

The Audit Committee was formed under Chapter 15, Part C, Rule 15.09 of the ACE LR. The Audit Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:-

(a) have explicit authority to investigate any matter within its terms of reference;

(b) have the resources which are required to perform its duties;

(c) have full and unrestricted access to any information which it requires in the course of performing its duties;

Terms of Reference (cont'd)

AUDIT COMMITTEE (cont'd)

Authority (cont'd)

(d) have unrestricted access to the Chief Executive Officer and the Chief Financial Officer;

(e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

(f) be able to obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and

(g) be able to convene meetings with the external auditors excluding the attendance of the executive members of the Company, whenever deemed necessary.

Functions and Duties

The functions of the Audit Committee are as follows:-

1. To review:

   a) with the external auditors:

      (i) the external audit plan,
      (ii) the evaluation of the system on internal control; and
      (iii) the external audit report.

   b) the assistance given by the Company's employees to the external auditors;

   c) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its works;

   d) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

   e) the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on :

      - changes in or implementation of major accounting policy changes;
      - significant and unusual events; and
      - compliance with accounting standards and other legal requirements;

   f) any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

   g) any letter of resignation from the external auditors of the Company; and

   h) whether there is any reason (supported by grounds) to believe that the external auditors is not suitable for reappointment; and

2. To recommend the nomination of a person or persons as external auditors.

Retirement and Resignation

In the event of any vacancy in the Audit Committee resulting in the non-compliance of sub-Rule 15.09 (1) of the ACE LR, the Company shall fill in the vacancy within three (3) months.

Terms of Reference (cont'd)

AUDIT COMMITTEE (cont'd)

Meetings

1. The committee shall meet at least four (4) times in a year or more frequently as circumstances required with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.

2. Quorum shall be by majority of the members who are Independent Directors.

3. Upon the request of any member of the Committee, the external auditors or the internal auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider matters which should be brought to the attention of the directors or shareholders.

4. The external auditors and internal auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.

5. The Committee may invite any Board member or any member of management or any employee of the Company who the Committee thinks fit to attend its meetings to assist and to provide pertinent information as necessary.

6. The Company must ensure that other directors and employees attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

7. The Committee shall meet with the external auditors, the internal auditors or both without executive board members present at least twice a year.

Procedures of Audit Committee

The Audit Committee may regulate its own procedures, in particular:

(a) the calling of meetings;
(b) the notice to be given of such meetings;
(c) the voting and proceedings of such meetings;
(d) the keeping of minutes; and
(e) the custody, production and inspection of such minutes.

Secretary

The Company Secretary or other appropriate senior official shall be the Secretary to the Audit Committee.

NOMINATING COMMITTEE

Members

The Committee shall be appointed by the Board of Directors which shall comprise exclusively of non-executive directors, the majority of whom shall be independent directors.

The Board of Directors must review annually the term of office and performance of the Committee and each of its members to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

Chairman

The Chairman shall be elected by the Committee from among their members.

Functions

The Committee shall:-

i. recommend to the Board of Directors the nomination of a person or persons to be a Board member(s) by shareholder(s) or Director(s);

Terms of Reference (cont'd)

NOMINATING COMMITTEE (cont'd)

Functions (cont'd)

The Committee shall:-

ii. recommend to the board, directors to fill the seats on board committees;

iii. assess the effectiveness of the board as a whole, the committees of the board and the contribution of each existing individual director and thereafter, recommend its findings to the board; and

iv. review the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the board and thereafter, recommend its findings to the board.

Structure and Procedures

The Committee should meet regularly, with due notice of issues to be discussed and should record its conclusion in discharging its duties and responsibilities. The quorum shall be two (2) members who shall be the independent directors.

The Committee should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Committee is firmly in its hands.

Access to Advice

The Committee shall have access to independent professional advice on nomination matters both within the Group and from external professionals at the Company's expense.

REMUNERATION COMMITTEE

Members

The Committee shall be appointed by the Board of Directors and shall consist wholly or mainly non-executive directors.

The Board of Directors must review annually the term of office and performance of the Committee and each of its members to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

Chairman

The Chairman shall be elected by the Committee from among their members.

Function

The Committee shall recommend to the board, the remuneration packages of Executive Chairman, Managing Directors and executive directors of the Company in all its forms, drawing from outside advice as necessary.

The remuneration packages of non-executive directors should be determined by the Board of Directors as a whole subject to the shareholders' approval.

Structures and Procedures

The Committee should meet regularly, with due notice of issues to be discussed and should record its conclusion in discharging its duties and responsibilities. The quorum shall be two (2) members of non-executive directors.

The Committee should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Committee is firmly in its hands.

Access to Advice

The Committee shall have access to independent professional advice on remuneration matters both within the Group and from external professionals at the Company's expense.

Additional Compliance Information

1) UTILISATION OF PROCEEDS

The Company had completed the Rights Issue with Warrants exercise on 28 January 2008 and raised approximately RM36.3 million. As at 31 December 2009, the Company has utilised approximately 80% of the proceeds raised from the Rights Issue with Warrants.

2) SHARE BUY-BACK

The shareholders of the Company had given their approval for the Company to buy-back its own shares at the Annual General Meeting held on 15 May 2009.

During the year, the Company bought back a total of 9,423,900 of its ordinary shares of RM0.10 each ("mTouche Share(s)") in the open market. The details of the mTouche Shares bought back during the financial year are as follows:

Monthly breakdown 2009	Number of mTouche shares bought back	Buy Back Price Per mTouche Share (RM) Lowest	Highest	Average Cost of mTouche Share (RM)	Total Cost (RM)
January	1,328,000	0.270	0.34	0.31	410,655
February	766,800	0.240	0.32	0.29	224,677
March	1,450,000	0.250	0.30	0.26	378,078
April	1,686,900	0.250	0.30	0.29	491,278
May	718,200	0.325	0.40	0.35	250,512
June	365,000	0.30	0.34	0.31	111,710
July	693,000	0.28	0.40	0.32	222,757
August	375,000	0.28	0.295	0.28	105,634
September	866,000	0.235	0.29	0.26	228,918
October	780,000	0.23	0.255	0.25	193,297
November	345,000	0.31	0.31	0.31	107,410
December	50,000	0.32	0.32	0.32	16,117
Total	9,423,900			0.29	2,741,043

As at 31 December 2009, a total of 9,423,900 mTouche Shares bought back were held as treasury shares. None of the treasury shares held were resold or cancelled during the year. The Company is seeking renewal of the Shareholders' mandate on the share buy-back proposal at the Company's Sixth Annual General Meeting.

3) OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There was no warrant exercised during the financial year.

4) DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year.

5) SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries during the financial year.

6) NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors by the Group during the financial year was RM111,000.

Additional Compliance Information (cont'd)

7) VARIATION IN RESULTS

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2009 and the unaudited results previously announced by the Company.

8) PROFIT GUARANTEE

There was no profit guarantee given by the Company during the financial year.

9) MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries that involves the directors and/or major shareholders since the end of the previous financial year.

10) REVALUATION POLICY

The Company did not revalue any of its property, plant and equipment during the financial year.

11) CORPORATE RESPONSIBILITY

In year 2009, the Group continued to place great emphasis on the welfare of its employees whom we value as the Group's major asset. The Company also initiated fund raising for charity.

12) RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE

There were no recurrent related party transactions entered into during the financial year.

Financial Statements

Directors' Report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

Principal activities

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

The principal activities of the subsidiaries are shown in Note 16 to the financial statements.

There have been no significant changes in the nature of the principal activities during the year except for the discontinuance of the entire Voice Over Internet Protocol ("VOIP") solution business as disclosed in Note 12 to the financial statements.

Results

	Group RM	Company RM
Loss for the year, from		
- continuing operations	64,780,118	44,364,948
- discountinued operation	408,924	-
	65,189,042	44,364,948
Attributable to :		
Equity holders of the Company	65,244,077	44,364,948
Minority interests	(55,035)	-
	65,189,042	44,364,948

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature except for the effect of impairment losses recognised of RM50,295,597 and RM43,503,269 respectively as disclosed in Note 6 to the financial statements.

Dividend

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

Directors

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

Goh Eugene (Wu Eugene)
Tan Wee Meng (Chen Weiming)
Lai Teik Kin
Ng Joo How
Yee Chee Wai
Chan Ken Yew (alternate director to Yee Chee Wai, appointed on 16 November 2009; resigned on 22 February 2010)
Lam Chi-Wye (alternate director to Yee Chee Wai, resigned on 16 November 2009)

Directors' Report (cont'd)

Directors' benefits

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

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

Directors' interests

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

	Number of ordinary shares of RM0.10 each			
	1.1.2009	**Acquired**	**Sold**	**31.12.2009**
The Company				
Direct Interest:				
Goh Eugene (Wu Eugene)	31,104,749	-	-	31,104,749
Tan Wee Meng (Chen Weiming)	18,963,149	-	-	18,963,149
Ng Joo How	3,000	-	-	3,000

	Number of warrants 2008/2018			
	1.1.2009	**Acquired**	**(Sold)/ (exercised)**	**31.12.2009**
The Company				
Direct Interest:				
Goh Eugene (Wu Eugene)	11,868,249	-	-	11,868,249
Tan Wee Meng (Chen Weiming)	6,281,049	-	-	6,281,049
Ng Joo How	1,000	-	-	1,000

	Number of ordinary shares of USD10 each			
	1.1.2009	**Acquired**	**Sold**	**31.12.2009**
Subsidiary - PT mTouche				
Direct Interest:				
Goh Eugene (Wu Eugene)	30	-	-	30

	Number of ordinary shares of THB100 each			
	1.1.2009	**Acquired**	**Sold**	**31.12.2009**
Subsidiary - mTouche (Thailand) Co Ltd				
Direct Interest:				
Tan Wee Meng (Chen Weiming)	1	-	-	1

Directors' Report (cont'd)

Directors' interests (cont'd)

	Number of ordinary shares of INR10 each			
	1.1.2009	Acquired	Sold	31.12.2009
Subsidiary - mTouche Technology India Private Ltd				
Direct Interest:				
Tan Wee Meng (Chen Weiming)	100	-	-	100

	Number of ordinary shares of PHP100 each			
	1.1.2009	Acquired	Sold	31.12.2009
Subsidiary - mTouche Technology Philippines Inc.				
Direct Interest:				
Goh Eugene (Wu Eugene)	1	-	-	1
Tan Wee Meng (Chen Weiming)	1	-	-	1

Goh Eugene (Wu Eugene) by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the year had any interest in shares in the Company or its related corporations during the year.

Warrants 2008/2018

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

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

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

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

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

As at the end of the year, the entire warrants of 45,375,000 remained unexercised.

Treasury shares

During the year, the Company repurchased 9,423,900 of its issued ordinary shares from the open market at an average price of RM0.29 per share. The total consideration paid for the repurchase including transaction costs was RM2,741,044. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

At 31 December 2009, the Company held as treasury shares a total of 11,943,000 of its 136,125,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM3,375,069 and further details are disclosed in Note 24 to the financial statements.

Directors' Report (cont'd)

Other statutory information

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

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

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

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

   (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of these financial statements; and

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

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

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

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

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

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

(f) In the opinion of the directors:

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

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

Subsequent event

Details of a subsequent event are disclosed in Note 33 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 April 2010.

Goh Eugene (Wu Eugene) **Tan Wee Meng (Chen Weiming)**

Statement by Directors

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

We, Goh Eugene (Wu Eugene) and Tan Wee Meng (Chen Weiming), being two of the directors of mTouche Technology Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on page 30 to 85 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 April 2010.

Goh Eugene (Wu Eugene)

Tan Wee Meng (Chen Weiming)

Statutory Declaration

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

I, Tan Wee Meng (Chen Weiming), being a director primarily responsible for the financial management of mTouche Technology Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on page 30 to 85 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Tan Wee Meng (Chen Weiming)
at Kuala Lumpur in the Federal Territory
on 1 April 2010

Tan Wee Meng (Chen Weiming)

Before me,

Independent Auditors' Report to the Members of mTouche Technology Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of mTouche Technology Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 85.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2009 and of their financial performances and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

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

(b) We have considered the accounts and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements.

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

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

Independent Auditors' Report to the Members of mTouche Technology Berhad (Incorporated in Malaysia) (cont'd)

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

George Koshy
No. 1846/07/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
1 April 2010

Income Statements

for the year ended 31 December 2009

	Note	Group 2009 RM	Group 2008 RM (restated)	Company 2009 RM	Company 2008 RM
Continuing operations					
Revenue	3	**41,915,646**	35,825,863	**7,665,702**	6,275,640
Cost of sales	4	**(28,060,934)**	(21,649,513)	**-**	-
Gross profit		**13,854,712**	14,176,350	**7,665,702**	6,275,640
Other income	5	**631,518**	2,272,592	**1,154,843**	2,895,022
Administrative expenses		**(11,239,367)**	(11,257,209)	**(2,167,563)**	(2,191,535)
Impairment losses	6	**(50,295,597)**	(10,223,004)	**(43,503,269)**	(12,980,082)
Other expenses		**(5,147,755)**	(10,868,629)	**(6,902,036)**	(17,384,091)
Operating loss		**(52,196,489)**	(15,899,900)	**(43,752,323)**	(23,385,046)
Finance costs	7	**(592,391)**	(383,461)	**(588,127)**	(374,491)
Share of results of associates		**(11,713,616)**	(8,089,323)	**-**	-
Loss before tax	8	**(64,502,496)**	(24,372,684)	**(44,340,450)**	(23,759,537)
Income tax (expense)/ benefit	11	**(277,622)**	(64,623)	**(24,498)**	53,004
Loss for the year from continuing operations		**(64,780,118)**	(24,437,307)	**(44,364,948)**	(23,706,533)
Discontinued operation					
Loss for the year from discontinued operation	12	**(408,924)**	(16,372,356)	**-**	-
Loss for the year		**(65,189,042)**	(40,809,663)	**(44,364,948)**	(23,706,533)
Attributable to:					
Equity holders of the Company		**(65,244,077)**	(38,426,189)	**(44,364,948)**	(23,706,533)
Minority interests		**55,035**	(2,383,474)	**-**	-
		(65,189,042)	(40,809,663)	**(44,364,948)**	(23,706,533)
Loss per share attributable to equity holders of the Company (sen)					
- continuing operations	13	**50.73**	18.28		
- discontinued operation	13	**0.32**	10.66		
Loss for the year	13	**51.05**	28.94		

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

Balance Sheets
as at 31 December 2009

		Group		Company	
	Note	2009 RM	2008 RM (restated)	2009 RM	2008 RM
ASSETS					
Non-current assets					
Plant and equipment	14	**1,593,498**	2,248,025	**87,358**	134,354
Intangible assets	15	**8,399,105**	16,739,016	**2,393,582**	3,031,870
Investments in subsidiaries	16	**-**	-	**8,425,866**	11,163,773
Investments in associates	17	**6,914,807**	62,352,738	**4,564,676**	42,907,433
Investment in jointly controlled entity	18	**-**	-	**-**	-
Other investment	19	**712,813**	3,201,892	**712,813**	3,201,892
Deferred tax assets	20	**1,315,455**	1,574,267	**-**	-
		18,935,678	86,115,938	**16,184,295**	60,439,322
Current assets					
Trade and other receivables	21	**12,789,212**	12,315,542	**16,561,548**	19,434,981
Inventories	22	**-**	68,799	**-**	-
Tax recoverable		**216,092**	420,589	**51,091**	75,589
Cash and bank balances	23	**8,443,050**	11,934,774	**6,642,709**	7,756,955
		21,448,354	24,739,704	**23,255,348**	27,267,525
Total assets		**40,384,032**	110,855,642	**39,439,643**	87,706,847

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

Balance Sheets

as at 31 December 2009 (cont'd)

	Note	Group 2009 RM	Group 2008 RM (restated)	Company 2009 RM	Company 2008 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	24	**13,612,500**	13,612,500	**13,612,500**	13,612,500
Share premium	24	**61,212,303**	61,212,303	**61,212,303**	61,212,303
Treasury shares	24	**(3,375,069)**	(634,025)	**(3,375,069)**	(634,025)
Warrant reserve	24	**7,427,595**	7,427,595	**7,427,595**	7,427,595
Other reserves	25	**24,607,647**	25,105,583	**-**	-
Accumulated losses		**(80,837,518)**	(15,593,441)	**(46,484,634)**	(2,119,686)
		22,647,458	91,130,515	**32,392,695**	79,498,687
Minority interests		**2,577**	201,890	**-**	-
Total equity		**22,650,035**	91,332,405	**32,392,695**	79,498,687
Non-current liabilities					
Borrowings	26	**4,540,956**	3,284,352	**4,540,956**	3,213,249
Deferred tax liabilities	20	**-**	68,388	**-**	-
		4,540,956	3,352,740	**4,540,956**	3,213,249
Current liabilities					
Borrowings	26	**1,729,776**	3,440,512	**1,658,673**	3,357,801
Trade and other payables	28	**11,463,265**	12,484,163	**847,319**	1,637,110
Income tax payable		**-**	245,822	**-**	-
		13,193,041	16,170,497	**2,505,992**	4,994,911
Total liabilities		**17,733,997**	19,523,237	**7,046,948**	8,208,160
Total equity and liabilities		**40,384,032**	110,855,642	**39,439,643**	87,706,847

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

Consolidated Statement of Changes In Equity

for the year ended 31 December 2009

	<------------- Attributable to equity holders of the Company					----------------------------->			
		<------------------ Non-distributable			-------------------->				
	Share capital (Note 24) RM	Share premium (Note 24) RM	Treasury shares (Note 24) RM	Warrant reserve (Note 24) RM	Other reserves (Note 25) RM	Accumulated losses RM	Total RM	Minority interests RM	Total equity RM
At 1 January 2009	13,612,500	61,212,303	(634,025)	7,427,595	25,105,583	(15,593,441)	91,130,515	201,890	91,332,405
Share of associates' reserves	-	-	-	-	47,404	-	47,404		47,404
Share buybacks	-	-	(2,724,776)	-	-	-	(2,724,776)	-	(2,724,776)
Expenses relating to shares transactions	-	-	(16,268)	-	-	-	(16,268)	-	(16,268)
Foreign currency translation	-	-	-	-	(370,494)	-	(370,494)	-	(370,494)
Net expense recognised directly in equity			(16,268)	-	(370,494)	-	(386,762)	-	(386,762)
Loss/(profit) for the year	-	-	-	-	-	(65,244,077)	(65,244,077)	55,035	(65,189,042)
Disposals of interests in subsidiaries (Note 12)	-	-	-	-	(174,846)	-	(174,846)	(254,348)	(429,194)
At 31 December 2009	13,612,500	61,212,303	(3,375,069)	7,427,595	24,607,647	(80,837,518)	22,647,458	2,577	22,650,035

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

Consolidated Statement Of Changes In Equity (cont'd)

for the year ended 31 December 2009

	<---- Attributable to equity holders of the Company					---->			
		<---- Non-distributable			---->				
	Share capital (Note 24) RM	**Share premium (Note 24) RM**	**Treasury shares (Note 24) RM**	**Warrant reserve (Note 24) RM**	**Other reserves (Note 25) RM**	**Distributable Retained earning/ (Accumulated losses) RM**	**Total RM**	**Minority interests RM**	**Total equity RM**
At 1 January 2008	9,075,000	37,631,050	-	-	(2,802,368)	22,832,748	66,736,430	2,214,450	68,950,880
Rights issue with free warrants	4,537,500	24,177,425	-	7,585,075	-	-	36,300,000	-	36,300,000
Share of associates' reserves	-	-	-	-	25,704,699	-	25,704,699	-	25,704,699
Share buybacks	-	-	(629,450)	-	-	-	(629,450)	-	(629,450)
Expenses relating to shares transactions	-	(596,172)	(4,575)	(157,480)	-	-	(758,227)	-	(758,227)
Foreign currency translation	-	-	-	-	1,125,672	-	1,125,672	-	1,125,672
Share of associates' reserves	-	-	-	-	1,077,580	-	1,077,580	-	1,077,580
Net income and expense recognised directly in equity	-	(596,172)	(4,575)	(157,480)	2,203,252	-	1,445,025	-	1,445,025
Disposal of partial interest in a subsidiary (Note 12)	-	-	-	-	-	-	-	370,914	370,914
Loss for the year	-	-	-	-	-	(38,426,189)	(38,426,189)	(2,383,474)	(40,809,663)
At 31 December 2008	13,612,500	61,212,303	(634,025)	7,427,595	25,105,583	(15,593,441)	91,130,515	201,890	91,332,405

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

Company Statement of Changes in Equity

for the year ended 31 December 2009

	<---------- Non-distributable			---------->		
	Share capital (Note 24) RM	Share premium (Note 24) RM	Treasury shares (Note 24) RM	Warrant reserve (Note 24) RM	Distributable Retained earning/ (Accumulated losses) RM	Total equity RM
At 1 January 2009	13,612,500	61,212,303	(634,025)	7,427,595	(2,119,686)	79,498,687
Share buybacks	-	-	(2,724,776)	-	-	(2,724,776)
Expenses relating to shares transactions representing expenses recognised directly in equity	-	-	(16,268)	-	-	(16,268)
Loss for the year	-	-	-	-	(44,364,948)	(44,364,948)
At 31 December 2009	13,612,500	61,212,303	(3,375,069)	7,427,595	(46,484,634)	32,392,695
At 1 January 2008	9,075,000	37,631,050	-	-	21,586,847	68,292,897
Rights issue with free warrants	4,537,500	24,177,425	-	7,585,075	-	36,300,000
Share buybacks	-	-	(629,450)	-	-	(629,450)
Expenses relating to shares transactions representing expenses recognised directly in equity	-	(596,172)	(4,575)	(157,480)	-	(758,227)
Loss for the year	-	-	-	-	(23,706,533)	(23,706,533)
At 31 December 2008	13,612,500	61,212,303	(634,025)	7,427,595	(2,119,686)	79,498,687

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

Consolidated Cash Flow Statement

for the year ended 31 December 2009

	2009 RM	2008 RM (restated)
Cash flows from operating activities		
Loss before tax from:		
Continuing operations	**(64,502,496)**	(24,372,684)
Discontinued operation (Note 12)	**(408,924)**	(16,421,284)
Adjustments for:		
Interest income	**(184,332)**	(2,076,172)
Interest expenses	**592,391**	383,461
Amortisation of intangible assets	**2,395,510**	3,968,663
Depreciation of plant and equipment	**885,864**	941,915
Impairment losses	**50,295,597**	23,807,950
Plant and equipment written off	**21,712**	999,323
Loss on disposals of plant and equipment	**25,820**	-
Loss on disposals of interests in subsidiaries	**361,570**	370,907
Allowance for doubtful debts	**322,594**	5,234,294
Bad debts written off	**-**	33,040
Short term accumulating compensated absences	**17,341**	(13,579)
Unrealised foreign exchange (gain)/loss	**(950,405)**	375,727
Share of results of associates	**11,713,616**	8,089,323
Operating profit before working capital changes	**585,858**	1,320,884
Change in receivables	**(1,439,592)**	(405,671)
Change in inventories	**68,799**	285,462
Change in payables	**215,098**	(754,859)
Cash (used in)/generated from operations	**(569,837)**	445,816
Taxes paid, net	**(52,730)**	(25,859)
Net cash (used in)/generated from operating activities	**(622,567)**	419,957

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

Consolidated Cash Flow Statement (cont'd)

for the year ended 31 December 2009

	2009 RM	2008 RM (restated)
Cash flows from investing activities		
Acquisition of additional interests in existing subsidiaries	**(220)**	(716,810)
Disposals of interests in subsidiaries (Note 12)	**110,963**	7
Settlement of balance of purchase considerations to acquire a subsidiary and intangible assets	**-**	(9,265,534)
Purchase of plant and equipment	**(286,409)**	(1,559,914)
Proceed from disposals of plant and equipment	**28,070**	-
Acquisition of intangible assets	**-**	(4,337,431)
Interest received	**184,332**	354,570
Dividend received from an associate	**1,000,060**	141,384
Net cash generated from/(used in) investing activities	**1,036,796**	(15,383,728)
Cash flows from financing activities		
Proceeds from issuance of new shares	**-**	36,300,000
Expenses relating to share issue	**-**	(753,652)
Purchase of treasury shares	**(2,741,044)**	(634,025)
Proceed from term loan	**2,500,000**	5,000,000
Repayment of term loan	**(502,312)**	(798,059)
Repayment of amount due to director	**(118,386)**	(5,155,147)
Repayment of hire purchase and finance lease liabilities	**(82,711)**	(78,006)
Interest paid	**(592,391)**	(2,231,561)
Net cash (used in)/generated from financing activities	**(1,536,844)**	31,649,550
Net (decrease)/increase in cash and cash equivalents	**(1,122,615)**	16,685,779
Cash and cash equivalents at beginning of year	**9,565,665**	(7,120,114)
Cash and cash equivalents at end of year (Note 23)	**8,443,050**	9,565,665

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

Company Cash Flow Statement

for the year ended 31 December 2009

	2009 RM	2008 RM (restated)
Cash flows from operating activities		
Loss before tax	**(44,340,450)**	(23,759,537)
Adjustments for:		
Interest income	**(154,783)**	(2,745,638)
Dividend income from an associate	**(1,000,060)**	(141,384)
Interest expenses	**588,127**	374,491
Amortisation of intangible assets	**638,288**	509,537
Depreciation of plant and equipment	**50,852**	15,642
Impairment losses	**43,503,269**	12,980,082
Loss on disposal of interest in a subsidiary	**1,034,466**	370,131
Allowance for doubtful debts	**4,012,924**	13,604,203
Bad debts written off	**-**	2,559,332
Short term accumulating compensated absences	**10,616**	689
Operating profit before working capital changes	**4,343,249**	3,767,548
Change in receivables	**(1,139,491)**	(3,561,688)
Change in payables	**(800,407)**	(7,713,780)
Cash generated from/(used in) operations	**2,403,351**	(7,507,920)
Tax paid	**-**	(76,385)
Net cash generated from/(used in) operating activities	**2,403,351**	(7,584,305)
Cash flows from investing activities		
Acquisition of additional interests in existing subsidiaries	**(220)**	(623,782)
Increase in share capital of subsidiaries	**(1,040,525)**	(1,337,232)
Settlement of balance of purchase consideration to acquire a subsidiary	**-**	(2,493,498)
Disposal of interest in a subsidiary	**72,753**	7
Purchase of plant and equipment	**(3,856)**	(145,385)
Purchase of intangible asset	**-**	(3,191,442)
Interest received	**154,783**	288,664
Dividend received from an associate	**1,000,060**	141,384
Net cash generated from/(used in) investing activities	**182,995**	(7,361,284)

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

Company Cash Flow Statement (cont'd)

for the year ended 31 December 2009

	2009 RM	2008 RM (restated)
Cash flows from financing activities		
Proceeds from issuance of new shares	**-**	36,300,000
Expenses relating to share issue	**-**	(753,652)
Purchase of treasury shares	**(2,741,044)**	(634,025)
Repayment of amount due to director	**-**	(5,155,147)
Proceed from term loan	**2,500,000**	5,000,000
Repayment of term loan	**(502,312)**	(798,059)
Interests paid	**(588,127)**	(2,222,591)
Net cash (used in)/generated from financing activities	**(1,331,483)**	31,736,526
Net increase in cash and cash equivalents	**1,254,863**	16,790,937
Cash and cash equivalents at beginning of year	**5,387,846**	(11,403,091)
Cash and cash equivalents at end of year (Note 23)	**6,642,709**	5,387,846

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

Notes to the Financial Statements

31 December 2009

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

The principal activities of the subsidiaries are shown in Note 16.

There have been no significant changes in the nature of the principal activities during the year except for the discontinuance of the entire Voice Over Internet Protocol ("VOIP") solution business as disclosed in Note 12.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 1 April 2010.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and the Company comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

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

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

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

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Notes to the Financial Statements (cont'd)

31 December 2009

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Subsidiaries and basis of consolidation (cont'd)

(ii) Basis of consolidation (cont'd)

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices are adopted for like transactions and events in similar circumstances.

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

Notes to the Financial Statements (cont'd)

31 December 2009

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Jointly controlled entities

The Group has interest in a joint venture entity which is jointly controlled. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2(b).

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

(d) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an investee entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets, and amortisation

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any impairment losses. Amortisation is provided for on a straight line basis. The amortisation period and the amortisation method are reviewed at least at each balance sheet date.

Intellectual property

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

Software license

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

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

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

Due to the risk of technological changes, the useful lives of all software licenses are generally assessed as finite. The software license classified as intangible asset is amortised over its estimated useful life ranging between 3 and 5 years.

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(d) Intangible assets (cont'd)

(ii) Other intangible assets, and amortisation (cont'd)

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only 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 and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products ranging between 5 and 10 years.

(e) Plant and equipment, and depreciation

All items of plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Computers	33%
Furniture and fittings	20%
Office equipment	33%
Renovations	20%
Motor vehicle	20%

The residual value, useful life and depreciation method are reviewed at each financial year-end 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 plant and equipment.

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

(f) Impairment of non-financial assets

The carrying amounts of the Group's assets, other than deferred tax assets and inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

Notes to the Financial Statements (cont'd)

31 December 2009

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(f) Impairment of non-financial assets (cont'd)

For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount 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, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis. An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill 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 an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

(g) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of merchandise comprise costs of purchase and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(h) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call which have an insignificant risk of changes in value, including deposits held on lien as security for bank facilities granted to the Group, net of any outstanding bank overdrafts.

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

(ii) Other non-current investments

Non-current investments other than investments in subsidiaries, associates and jointly controlled entities are carried at cost less accumulated impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(iii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

(iv) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(vi) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Warrants issued are recognised in the financial statements as warrant reserve at their respective fair values as at the date of the issue.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares (share buybacks) of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(i) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(i) Leases (cont'd)

(ii) Finance leases - the group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for lease assets is in accordance with that for depreciable plant and equipment as described in Note 2.2(e).

(iii) Operating leases - the group as lessee

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

(j) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Notes to the Financial Statements (cont'd)

31 December 2009

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(l) Employee benefits

(ii) Short term benefits

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

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(m) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

Where the Group has a monetary item that forms part of its net investment in a foreign operation, the exchange differences arising from such monetary items are recognised in equity in the consolidated financial statements, irrespective of the currency of the monetary item.

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

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(m) Foreign currencies (cont'd)

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

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

(n) 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. The following specific recognition criteria must also be met before revenue is recognised:

(i) Revenue from provision of services

Revenue from provision of services is recognised net of service taxes and discount as and when the services are performed.

(ii) Fee income

Fee income are recognised in the income statement on an accrual basis when services are rendered.

(iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iv) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. 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.

(v) Dividend income

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

(o) Non-current assets (or disposal groups) held for sale and discontinued operation

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

Notes to the Financial Statements (cont'd)
31 December 2009

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(o) Non-current assets (or disposal groups) held for sale and discontinued operation (cont'd)

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

2.3 Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new FRS and Interpretations were issued, and amendments to certain Standards and Interpretations were issued but not yet effective and have not been applied by the Group and the Company, which are:

Effective for financial periods beginning on or after 1 July 2009

- FRS 8: Operating Segments

Effective for financial periods beginning on or after 1 January 2010

- FRS 4: Insurance Contracts
- FRS 7: Financial Instruments: Disclosures
- FRS 101: Presentation of Financial Statements (revised)
- FRS 123: Borrowing Costs
- FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2: Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
- Amendments to FRSs 'Improvements to FRSs (2009)'
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- TR i – 3: Presentation of Financial Statements of Islamic Financial Institutions

Effective for financial periods beginning on or after 1 March 2010

- Amendment to FRS 132: Financial Instruments: Classification of Rights Issues

Effective for financial periods beginning on or after 1 July 2010

- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (revised)
- FRS 127: Consolidated and Separate Financial Statements (amended)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 15: Agreements for the Construction of Real Estate
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

2. Significant accounting policies (cont'd)

2.3 Standards and Interpretations issued but not yet effective (cont'd)

Effective for financial periods beginning on or after 1 January 2011

- Amendment to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 7: Improving Disclosures about Financial Instruments

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:

FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Company is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Company.

FRS 127: Consolidated and Separate Financial Statements (amended)

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

FRS 8: Operating Segment

FRS 8 replaces FRS 114_{2004}: Segment Reporting and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Company's exposure to risks, enhanced disclosure regarding components of the Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

2. Significant accounting policies (cont'd)

2.4 Significant accounting judgements and estimates

The preparation of financial statements in accordance with FRSs requires the use of certain accounting estimates and exercise of judgements. Estimates and judgements are continually evaluated and are based on past experiences, reasonable expectations of future events and other factors.

(a) Critical judgements made in applying accounting policies

There were no significant judgements made in applying the accounting policies of the Group which may have significant effects of the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

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

Impairment of non-financial assets

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

The discount rate applied to the DCF analysis is 13% (2008: 13.5% and 14%) which is in line with the average pre-tax weighted average cost of capital ("WACC") of the Group. The cashflows for the following year reflect the recent performance of the respective CGU whilst growth rates for projection of cashflows beyond the following year range between 5% and 15% (2008: 5% and 25%) reflecting its market experience. Long term growth rate is 5% (2008: 5%).

Following the above assessment, the Group and the Company recognised impairment losses of RM50,295,597 (2008: RM23,807,950) and RM43,503,269 (2008: RM12,980,082) on goodwill, intangible assets and investments as further disclosed in Note 6. The carrying amounts of goodwill, intangible assets and investments have been disclosed in the respective notes. Based on management's review, no further adjustment for impairment is required for the non-financial assets of the Group and Company during the current year.

2.5 Restatement of comparatives

As required by FRS 5 on Non-current Assets Held for Sale and Discontinued Operations, certain comparatives of the Group have been re-presented due to the disposal of a subsidiary during the year. The effects on the consolidated income statement are set out below. The change has no impact on the Company's income statement for the year ended 31 December 2008. The change also has no impact on the Group and the Company's Balance Sheet for the year ended 31 December 2008.

	Originally stated RM	Increase/ (decrease) RM	Restated RM
Group income statement			
Revenue	39,086,523	(3,260,660)	35,825,863
Cost of sales	22,750,376	(1,100,863)	21,649,513
Other income	2,423,677	(151,085)	2,272,592
Administrative expenses	14,000,022	(2,742,813)	11,257,209
Impairment losses	23,807,950	(13,584,946)	10,223,004
Other expenses	13,131,652	(2,263,023)	10,868,629
Income tax expense	15,695	48,928	64,623

Notes to the Financial Statements (cont'd)

31 December 2009

3. Revenue

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Continuing operations				
Rendering of services	40,991,805	35,795,696	-	-
Sale of goods	-	30,167	-	-
Licensing fees	923,841	-	6,610,910	5,921,115
Management fees	-	-	1,054,792	354,525
	41,915,646	35,825,863	7,665,702	6,275,640
Discontinued operation				
Sale of goods (Note 12)	817,097	3,260,660	-	-
	42,732,743	39,086,523	7,665,702	6,275,640

4. Cost of sales

Included in cost of sales of the Group is cost of goods sold as follows:

	Group	
	2009 RM	2008 RM
Continuing operations	-	46,643
Discontinued operation	257,023	888,930
	257,023	935,573

5. Other income

Included in other income are:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Interest income on:				
- placement of deposits	184,332	354,570	154,783	288,664
- other investment	-	1,721,602	-	2,456,974
Dividend income from an associate	-	-	1,000,060	141,384

Notes to the Financial Statements (cont'd)

31 December 2009

6. Impairment losses

The impairment losses recognised in the income statements are as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Continuing operations				
Impairment of:				
- Intangible assets	5,096,159	4,636,854	-	233,363
- Investments in subsidiaries	-	-	2,671,433	12,723,068
- Investment in an associate	42,710,359	5,586,150	38,342,757	-
- Investment in a jointly controlled entity (Note 18)	-	-	-	23,651
- Other investment (Note 19)	2,489,079	-	2,489,079	-
	50,295,597	10,223,004	43,503,269	12,980,082
Discontinued operation				
Impairment of intangible assets (Note 12)	-	13,584,946	-	-
Total impairment losses	50,295,597	23,807,950	43,503,269	12,980,082

Of the impairment losses recognised, RM42,710,359 (2008: RM5,586,150) and RM38,342,757 (2008: Nil) were in respect of the Group and Company's investment in an associate, GMO Global Limited (2008: GMO Limited). The recognition of impairment loss was triggered by the continued operational losses reported by the associate as a result of intervention and stricter regulations imposed by the authorities and/or the telecommunication service providers stifling the market. During the year, GMO Limited has been delisted and dissolved as further disclosed in Note 17.

Impairment losses recognised on intangible assets were in respect of intellectual property and goodwill of certain CGUs in the matured market segment which reported eroded profit margins caused by intense market competition.

The impairment loss recognised on other investment was to write down to market value due to the prolonged loss reported.

7. Finance costs

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Interest expenses on:				
- hire purchase and finance lease liabilities	4,264	8,970	-	-
- bank borrowings	588,127	374,491	588,127	374,491
	592,391	383,461	588,127	374,491

Notes to the Financial Statements (cont'd)

31 December 2009

8. Loss before tax

The following amounts have been included in arriving at loss before tax:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Employee benefits expense (Note 9)	8,780,229	11,143,189	1,966,812	2,014,353
Non-executive directors' remuneration (Note 10)	105,400	96,000	105,400	96,000
Auditors' remuneration:				
- statutory audits	191,824	202,364	60,000	60,000
- other services	110,757	107,480	109,000	107,000
Operating lease, minimum lease payments for offices	1,308,638	1,418,651	21,000	20,970
Depreciation of plant and equipment (Note 14)	885,864	941,915	50,852	15,642
Amortisation of intangible assets (Note 15)	2,395,510	3,968,663	638,288	509,537
Allowance/(reversal) for doubtful debts (Note 21)	322,594	5,234,294	4,012,924	13,604,203
- trade receivables	(12,855)	5,234,294	1,257,546	13,604,203
- other receivables	335,449	-	2,755,378	-
Bad debts written off	-	33,040	-	2,559,332
Loss on disposals of interests in subsidiaries	361,570	370,907	1,034,466	370,131
Loss on disposals of plant and equipment	25,820	-	-	-
Plant and equipment written off	21,712	999,323	-	-
Net foreign exchange:				
- realised loss/(gain)	69,096	(941,461)	-	(939,965)
- unrealised (gain)/loss	(950,405)	375,727	-	-

9. Employee benefits expense

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Wages and salaries	7,505,070	9,854,870	1,676,067	1,771,058
Social security contributions	94,133	79,560	18,112	17,176
Contributions to defined contribution plan	679,832	761,994	195,964	199,969
Short term accumulating compensated absences	17,341	(13,579)	10,616	689
Other benefits	483,853	460,344	66,053	25,461
	8,780,229	11,143,189	1,966,812	2,014,353

Included in employee benefits expense of the Group are executive directors' remuneration amounting to RM1,747,814 (2008: RM1,868,892) as further disclosed in Note 10.

Notes to the Financial Statements (cont'd)

31 December 2009

10. Directors' remuneration

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Directors of the Company				
Executive directors:				
- Salaries and other emoluments	1,155,243	1,015,660	-	-
- Contributions to defined contribution plan	50,288	35,837	-	-
	1,205,531	1,051,497	-	-
Non-executive directors' fees	105,400	96,000	105,400	96,000
	1,310,931	1,147,497	105,400	96,000
Directors of the subsidiaries				
Executive directors:				
- Salaries and other emoluments	476,694	730,267	-	-
- Contributions to defined contribution plan	55,589	67,128	-	-
- Fees	10,000	20,000	-	-
	542,283	817,395	-	-
Total directors' remuneration	1,853,214	1,964,892	105,400	96,000
Analysis of remuneration:				
Total executive directors' remuneration (Note 9)	1,747,814	1,868,892	-	-
Total non-executive directors' remuneration (Note 8)	105,400	96,000	105,400	96,000
Total directors' remuneration	1,853,214	1,964,892	105,400	96,000

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

	Number Director 2009	Number Director 2008
Executive directors:		
RM500,001 - RM550,000	-	2
RM600,001 - RM650,000	2	-
Non-executive directors:		
Less than RM50,000	3	3

Notes to the Financial Statements (cont'd)

31 December 2009

11. Income tax expense/(benefit)

	Group		Company	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
Continuing operations				
Current income tax:				
Malaysian income tax	24,498	276,596	24,498	65,786
Foreign income tax	34,649	74,739	-	-
	59,147	351,335	24,498	65,786
Overprovision in prior years:				
Malaysian income tax	(47,742)	(118,790)	-	(118,790)
	11,405	232,545	24,498	(53,004)
Deferred tax (Note 20):				
Relating to origination and reversal of temporary differences	151,230	(273,522)	-	-
Relating to changes in tax rate	1,060	120,102	-	-
Over/(under) provision in prior years	113,927	(14,502)	-	-
	266,217	(167,922)	-	-
Income tax expense/(benefit)	277,622	64,623	24,498	(53,004)
Discontinued operation				
Overprovision in prior years:				
Foreign income tax (Note 12)	-	(48,928)	-	-
Total income tax expense/ (benefit)	277,622	15,695	24,498	(53,004)

The domestic income tax is calculated at the statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year.

In prior years, subsidiaries which are Malaysian companies with paid-up share capital of less than RM2.5 million have applied the preferential tax rate of 20% on the first RM500,000 and the statutory tax rate on the excess of RM500,000 of chargeable income pursuant to Paragraph 2A, Schedule 1 of the Income Tax Act, 1967. Paragraph 2B, Schedule 1 was introduced with effect from Year of Assessment 2009 changing the definition of companies qualifying for the preferential tax rate which rendered the chargeable income of the subsidiary companies to be taxed at the statutory tax rate. Taxation of subsidiaries in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

Notes to the Financial Statements (cont'd)

31 December 2009

11. Income tax expense/(benefit) (cont'd)

A reconciliation of income tax expense/(benefit) applicable to loss before tax at the statutory income tax rate to income tax expense/(benefit) at the effective income tax rate of the Group and of the Company is as follows:

	2009 RM	2008 RM
Group		
Loss before tax, from:		
- continuing operations	(64,502,496)	(24,372,684)
- discontinued operation (Note 12)	(408,924)	(16,421,284)
	(64,911,420)	(40,793,968)
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	(16,227,855)	(10,606,432)
Different tax rates in other jurisdiction	748,786	(16,489)
Effect on changes in tax rate	1,060	120,102
Income not subject to tax	(257,916)	(49,655)
Expenses not deductible for tax purposes	14,950,265	9,361,899
Utilisation of previously unrecognised tax losses	(103,677)	(33,380)
Deferred tax assets not recognised	1,100,774	1,421,870
Overprovision of tax expense in prior years	(47,742)	(167,718)
Over/(under) provision of deferred tax in prior years	113,927	(14,502)
Tax expense for the year	277,622	15,695
Tax expense for the year from:		
- continuing operations	277,622	64,623
- discontinued operation (Note 12)	-	(48,928)
	277,622	15,695
Company		
Loss before tax	(44,340,450)	(23,759,537)
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	(11,085,112)	(6,177,480)
Income not subject to tax	(250,015)	(36,760)
Expenses not deductible for tax purposes	11,359,625	6,280,026
Overprovision of tax expense in prior years	-	(118,790)
Tax expense/(benefit) for the year	24,498	(53,004)

Group

Tax savings during the year arising from:

Utilisation of current year tax losses	5,543	-
Utilisation of previously unrecognised tax losses	103,677	33,380

Notes to the Financial Statements (cont'd)

31 December 2009

12. Discontinued operation and disposals of interests in subsidiaries

The Company had on 30 June 2009 disposed of its 51% equity interest in Inova Ventures Pte Ltd. ("Inova"). With the disposal, Inova and its wholly-owned subsidiary, Brillante Novastella Sdn Bhd, ceased to be subsidiaries of the Company. The disposal comprise its entire Voice Over Internet Protocol ("VOIP") solution business which was reported as part of the matured market in the geographical segment and the telecommunication support activities in the business segment.

The Group had on 13 November 2009 disposed of its 100% equity interest in Rayson Management Limited ("Rayson"). With the disposal, Rayson and its wholly-owned subsidiary, Smartcom Global Pte Ltd, ceased to be subsidiaries of the Group. These subsidiaries are dormant and do not warrant a separate segment to the Group.

An analysis of the result of the discontinued VOIP operation from the disposal of Inova is as follow:

	Group	
	2009	**2008**
	RM	**RM**
Revenue, comprise sale of goods (Note 3)	817,097	3,260,660
Expenses	(1,226,021)	(19,681,944)
Loss before tax of discontinued operation (Note 11)	(408,924)	(16,421,284)
Income tax benefit (Note 11)	-	48,928
Loss for the year from discontinued operation	(408,924)	(16,372,356)
Attributable to:		
Equity holders of the Company (Note 13)	(408,924)	(14,157,914)
Minority interest	-	(2,214,442)
	(408,924)	(16,372,356)
The following amounts have been included in arriving at loss before tax of discontinued operation:		
Audit fees	7,400	14,845
Operating lease, minimum lease payments for offices	134,603	227,562
Impairment loss of intangible assets (Note 6)	-	13,584,946
Depreciation of plant and equipment	27,639	73,201
Amortisation of intangible assets	67,032	1,811,515
Allowance for doubtful debts	-	1,296,957

Notes to the Financial Statements (cont'd)

31 December 2009

12. Discontinued operation and disposals of interests in subsidiaries (cont'd)

The effects of the disposals of Inova and Rayson on financial position and cash flow movement as at the end of the year is as follows:

	Group 2009 RM
Plant and equipment	19,993
Intangible asset	1,050,139
Trade and other receivables	797,086
Cash and cash equivalents, bank overdraft	(34,686)
Other payables	(1,315,183)
Net assets disposed	517,349
Less: Net assets attributable to minority interest	(254,348)
Transfer from foreign exchange reserve	174,846
	437,847
Total disposal proceeds*	(76,277)
Loss on disposals of Inova and Rayson to the Group	361,570
Cash inflow arising on disposals:	
Cash consideration*	76,277
Cash and cash equivalents, bank overdraft, disposed of	34,686
Net inflow of cash and cash equivalents to the Group	110,963

The effect of the disposal of Inova to the Company is as follows:

	Company 2009 RM
Cost of investment, net of accumulated impairment loss	1,107,219
Disposal proceed of Inova*	(72,753)
Loss on disposal of Inova to the Company	1,034,466

* Included in disposal proceeds and the cash consideration of the Group of RM76,277 is RM3,524 being proceed on disposal of Rayson. The disposal proceeds were settled by way of cash.

In prior year, the loss on disposal of interest in subsidiary of RM370,907 and RM370,131 to the Group and the Company was in respect of a partial divestment of a subsidiary newly incorporated in 2008, mTouche Technology Philippines Inc. for cash proceed of RM7.

Notes to the Financial Statements (cont'd)

31 December 2009

13. Loss per share

Basic and diluted loss per share is calculated by dividing loss for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares held by the Company.

	Group	
	2009	**2008**
Loss attributable to ordinary equity holders of the Company:		
- from continuing operations (RM)	64,835,153	24,268,275
- from discontinued operation (RM) (Note 12)	408,924	14,157,914
	65,244,077	38,426,189
Weighted average number of ordinary shares in issue	127,789,589	132,783,619
Basic loss per share for the year:		
- from continuing operations (sen)	50.73	18.28
- from discontinued operation (sen)	0.32	10.66
	51.05	28.94

The outstanding warrants have been excluded from the computation of fully diluted loss per share as the exercise of warrants to ordinary shares would be antidilutive. There were no other transactions involving the potential dilution of ordinary shares in issue.

Notes to the Financial Statements (cont'd)

31 December 2009

14. Plant and equipment

	Computers RM	Furniture and fittings RM	Office equipment RM	Renovations RM	Motor vehicle RM	Total RM
Group						
Cost						
At 1 January 2009	2,928,782	326,745	615,843	718,384	451,126	5,040,880
Additions	204,558	13,346	64,969	3,536	-	286,409
Disposals	(8,057)	(52,230)	(2,916)	(10,391)	-	(73,594)
Disposals of subsidiaries	(114,402)	(16,180)	(77,205)	(38,681)	-	(246,468)
Written off	(20,089)	(631)	(2,943)	(22,156)	-	(45,819)
Exchange differences	3,200	2,283	6,937	11,979	-	24,399
At 31 December 2009	2,993,992	273,333	604,685	662,671	451,126	4,985,807
Accumulated depreciation						
At 1 January 2009	1,712,649	184,235	336,219	266,518	293,234	2,792,855
Depreciation charge (Note 8)	465,847	59,000	135,293	135,499	90,225	885,864
Disposals	(1,805)	(15,400)	(436)	(2,063)	-	(19,704)
Disposals of subsidiaries	(103,376)	(16,180)	(73,620)	(33,299)	-	(226,475)
Written off	(16,796)	(185)	(2,002)	(5,124)	-	(24,107)
Exchange differences	(19,830)	1,743	(1,092)	3,055	-	(16,124)
At 31 December 2009	2,036,689	213,213	394,362	364,586	383,459	3,392,309
Net carrying amount						
At 31 December 2009	957,303	60,120	210,323	298,085	67,667	1,593,498

Notes to the Financial Statements (cont'd)

31 December 2009

14. Plant and equipment (cont'd)

	Computers RM	Furniture and fittings RM	Office equipment RM	Renovations RM	Motor vehicle RM	Total RM
Group						
Cost						
At 1 January 2008	2,242,862	232,833	1,278,567	333,048	451,126	4,538,436
Additions	740,965	105,726	273,610	439,613	-	1,559,914
Written off	(90,071)	(16,299)	(1,106,956)	(58,284)	-	(1,271,610)
Exchange differences	35,026	4,485	170,622	4,007	-	214,140
At 31 December 2008	2,928,782	326,745	615,843	718,384	451,126	5,040,880
Accumulated depreciation						
At 1 January 2008	1,183,112	122,104	310,989	159,653	203,009	1,978,867
Depreciation charge (Note 8)	534,871	67,512	118,030	131,277	90,225	941,915
Written off	(22,552)	(7,842)	(212,783)	(29,110)	-	(272,287)
Exchange differences	17,218	2,461	119,983	4,698	-	144,360
At 31 December 2008	1,712,649	184,235	336,219	266,518	293,234	2,792,855
Net carrying amount						
At 31 December 2008	1,216,133	142,510	279,624	451,866	157,892	2,248,025

Notes to the Financial Statements (cont'd)

31 December 2009

14. Plant and equipment (cont'd)

	Computers RM	Furniture and fittings RM	Office equipment RM	Renovations RM	Total RM
Company					
Cost					
At 1 January 2009	145,385	-	3,900	7,456	156,741
Additions	-	520	3,336	-	3,856
At 31 December 2009	145,385	520	7,236	7,456	160,597
Accumulated depreciation					
Cost	13,393	-	3,899	5,095	22,387
Depreciation charge (Note 8)	48,462	35	864	1,491	50,852
At 31 December 2009	61,855	35	4,763	6,586	73,239
Net carrying amount					
At 31 December 2009	83,530	485	2,473	870	87,358
Cost					
At 1 January 2008	-	-	3,900	7,456	11,356
Additions	145,385	-	-	-	145,385
At 31 December 2008	145,385	-	3,900	7,456	156,741
Accumulated depreciation					
At 1 January 2008	-	-	3,142	3,603	6,745
Depreciation charge (Note 8)	13,393	-	757	1,492	15,642
At 31 December 2008	13,393	-	3,899	5,095	22,387
Net carrying amount					
At 31 December 2008	131,992	-	1	2,361	134,354

Net carrying amount of motor vehicle held under hire purchase and finance lease arrangement is RM67,667 (2008: RM157,892).

Details of the terms and conditions of the hire purchase and finance lease arrangement are disclosed in Note 26.

Notes to the Financial Statements (cont'd)

31 December 2009

15. Intangible assets

	Goodwill RM	Intellectual property RM	Software license RM	Development cost RM	Total RM
Group					
Cost					
At 1 January 2009	5,787,340	26,863,757	11,462,442	791,380	44,904,919
Additions	180,452	-	-	-	180,452
Written off	(3,387,133)	-	-	(75,715)	(3,462,848)
Disposal of subsidiary	-	-	(7,290,600)	-	(7,290,600)
Exchange differences	(14,481)	53,696	69,600	5,677	114,492
At 31 December 2009	2,566,178	26,917,453	4,241,442	721,342	34,446,415
Accumulated amortisation and impairment losses					
At 1 January 2009:					
- Amortisation	-	13,745,762	2,473,247	96,355	16,315,364
- Impairment loss	4,952,258	2,048,175	4,850,105	-	11,850,538
Amortisation (Note 8)	-	1,506,087	705,320	184,103	2,395,510
Impairment loss (Note 6)	794,986	4,301,173	-	-	5,096,159
Written off	(3,387,133)	-	-	(75,715)	(3,462,848)
Disposal of subsidiary	-	-	(6,240,461)	-	(6,240,461)
Exchange differences	-	32,570	59,649	829	93,048
At 31 December 2009	2,360,111	21,633,767	1,847,860	205,572	26,047,310
Net carrying amount					
At 31 December 2009	206,067	5,283,686	2,393,582	515,770	8,399,105

Notes to the Financial Statements (cont'd)

31 December 2009

15. Intangible assets (cont'd)

	Goodwill RM	Intellectual property RM	Software license RM	Development cost RM	Total RM
Group					
Cost					
At 1 January 2008	4,181,045	25,017,362	7,931,400	771,966	37,901,773
Additions	1,551,435	1,145,989	3,191,442	-	5,888,866
Exchange differences	54,860	700,406	339,600	19,414	1,114,280
At 31 December 2008	5,787,340	26,863,757	11,462,442	791,380	44,904,919
Accumulated amortisation and impairment losses					
At 1 January 2008:					
- Amortisation	-	2,177,960	982,778	-	3,160,738
- Impairment loss	2,536,853	-	-	-	2,536,853
Amortisation (Note 8)	-	2,656,277	1,216,466	95,920	3,968,663
Impairment loss	2,415,405	10,825,126	4,981,269	-	18,221,800
Exchange differences	-	134,573	142,841	435	277,849
At 31 December 2008	4,952,258	15,793,936	7,323,354	96,355	28,165,903
Net carrying amount					
At 31 December 2008	835,082	11,069,821	4,139,088	695,025	16,739,016

The intangible assets written off of RM3,462,848 (2008: Nil) were in respect of subsidiaries which have ceased operations.

Software license

	Company 2009 RM	Company 2008 RM
Cost		
At 1 January	4,241,442	1,050,000
Addition	-	3,191,442
At 31 December	4,241,442	4,241,442
Accumulated amortisation and impairment loss		
At 1 January	1,209,572	466,672
Amortisation (Note 8)	638,288	509,537
Impairment loss (Note 6)	-	233,363
At 31 December	1,847,860	1,209,572
Net carrying amount		
At 31 December	2,393,582	3,031,870

Notes to the Financial Statements (cont'd)

31 December 2009

15. Intangible assets (cont'd)

Impairment tests for goodwill

The allocation of goodwill to the cash generating units ("CGU") identified according to its primary segment are as follows:

	Group	
	2009 **RM**	**2008** **RM**
Goodwill allocated to:		
- Matured market	-	614,534
- Emerging market	206,067	220,548
	206,067	835,082

Impairment test for goodwill and key assumptions used in value in use calculations

Based on management's impairment test, the goodwill allocated to matured market has been fully impaired as described in Note 6. The remaining goodwill of RM206,067 (2008: RM220,548) was attributable to a CGU within the emerging market where it is supported by a 5-year period DCF analysis.

The key assumptions of the DCF are that of its growth rates and discount rate. The cashflow of the unit was based on its latest available budget reflecting the revenue forecast from the market. The growth rates in the 4 years beyond the available budget are between 10% and 15% (2009: 15%) with a long term growth rate of 5% (2008: 5%) being maintained. The discount rate factored therein is 13% (2008: 14.5%).

Sensitivity to changes in key assumptions

For the above DCF used to support the goodwill of RM206,067, there are possible changes in key assumptions which could cause the carrying value to exceed its recoverable amount. The actual recoverable amount for the unit exceeds its carrying amount by RM200,000 (2008: RM500,000). Should the management's key assumptions differ, the impairment losses required will be as follows:

	By 5% **RM**	**By 10%** **RM**
Decrease in revenue growth rates	100,000	206,067

	By 1% **RM**	**By 2%** **RM**
Increase in discount rate	100,000	206,067

16. Investments in subsidiaries

	Company	
	2009 **RM**	**2008** **RM**
Unquoted shares, at cost	13,038,477	23,886,841
Less: Accumulated impairment losses (Note 6)	(4,612,611)	(12,723,068)
	8,425,866	11,163,773

Notes to the Financial Statements (cont'd)

31 December 2009

16. Investments in subsidiaries (cont'd)

Included in the accumulated impairment losses in prior year was RM10,781,890 attributed to Inova Ventures Pte Ltd which has been disposed during the year. In the current year, an additional impairment loss of RM2,671,433 (2008: RM12,723,068) has been recognised in respect of subsidiaries whose profit margins had eroded caused by intense market competition.

Other than as separately disclosed below, details of the subsidiaries are as follows:

- the principal activities of the subsidiaries are the provision of mobile applications and related technology services; and
- the financial statements of the subsidiaries are audited by firms other than Ernst & Young, Malaysia.

Name of subsidiaries	Share capital	Country of incorporation	Equity interest held 2009 %	2008 %
Held by the Company:				
Mobile Touchetek Sdn Bhd[1]	RM3,500,000	Malaysia	100	100
mTouche International Sdn Bhd[1]	RM500,000	Malaysia	100	100
mTouche Pte Ltd	SGD100,000	Singapore	100	100
PT mTouche	IDR254,490,000	Republic of Indonesia	99	99
mTouche (Thailand) Co Ltd	THB1,000,000	Thailand	99.94	99.94
mTouche (HK) Ltd	HKD2,000,000	Hong Kong	100	100
mTouche (Vietnam) Co Ltd	VND7,738,596,636	Vietnam	100	100
Inova Venture Pte Ltd[2]	SGD100,000	Singapore	- +	51
mBit Pte Ltd	SGD500	Singapore	95	77
mTouche Technology Philippines Inc[3]	PHP8,280,000	Philippines	40	40
mTouche Technology India Private Ltd[3]	INR100,000	India	100	100
Mymyad (China) Limited[3]	HKD100,000	Hong Kong	100	100
Held through subsidiaries:				
MTHK Technology Limited	CNY2,337,135	Republic of China	100	100
mBox Joint Stock Company	VND2,400,000	Vietnam	49^	37.5
Nastech Limited[3]	HKD100,000	Hong Kong	100	100
Mobile Fusion Pte Ltd	SGD100,000	Singapore	100	100
Brillante Novastella Sdn Bhd[1,3]	RM2	Malaysia	- +	51
Rayson Management Limited[1,3]	USD50,000	British Virgin Islands	- +	100
Smartcom Global Pte Ltd[3]	SGD410,000	Singapore	- +	70

1 Audited by Ernst & Young, Malaysia
2 Principally involved in the Voice Over Internet Protocol ("VOIP") solution business
3 These subsidiaries are dormant and/or do not have significant activities
^ The Group has effective control over the financial and operating policies by way of majority representation on the board of directors of the subsidiaries
+ The subsidiaries were disposed during the year (Note 12)

Notes to the Financial Statements (cont'd)

31 December 2009

16. Investments in subsidiaries (cont'd)

Increase equity interest in subsidiaries

During the year, the Company subscribed for the additional issued ordinary shares of its wholly owned subsidiaries, mTouche (Vietnam) Co Ltd and mTouche International Sdn. Bhd. by way of cash of RM540,528 and RM499,997 respectively.

On 30 September 2009, the Company acquired an additional 18% equity interest in mBit Pte Ltd ("mBit"), for a total cash consideration of RM220, thereby increasing the Company's interest in mBit from 77% to 95%. The step-up acquisition has resulted in an additional goodwill of RM180,452 being recognised by the Group due to its share of fair value of net liability at date of acquisition amounting to RM180,232. The goodwill recognised on mBit has been impaired in the current year.

17. Investments in associates

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Unquoted shares (2008: Quoted) outside Malaysia, at cost	38,342,757	38,342,757	38,342,757	38,342,757
Unquoted shares, at cost	4,564,676	4,564,676	4,564,676	4,564,676
	42,907,433	42,907,433	42,907,433	42,907,433
Share of post-acquisition reserves	12,303,883	25,031,455	-	-
Less: Accumulated impairment losses (Note 6)	(48,296,509)	(5,586,150)	(38,342,757)	-
	6,914,807	62,352,738	4,564,676	42,907,433
Market value of quoted shares	-	16,853,762	-	16,853,762

Details of the associates are as follows:

Name of associates	Share capital	Country of incorporation	Equity interest held 2009 %	Equity interest held 2008 %	Principal activities
IdotTV Sdn Bhd	RM2,000,000	Malaysia	20	20	Provision of value added telecommunication services
GMO Limited	USD27,255,000	United Kingdom	- #	37.91	Investment holding
GMO Global Limited	USD7,618,262	British Virgin Islands	38.56 #	-	Investment holding

\# GMO Limited ("GMOL") was delisted with effective 29 May 2009 and underwent internal reorganisation. The Company accepted the distribution in specie of the assets in GMOL by way of a transfer of 2,937,474 ordinary shares of USD1.00 each in GMO Global Limited ("GMOG"), from GMOL to the Company. The internal reorganisation was completed during the year and GMOL was dissolved on 30 December 2009. The increase in equity interest held was due to the exit offer of shares buyback by GMOL prior to it being delisted.

The financial statements of the above associates are coterminous with those of the Group.

Notes to the Financial Statements (cont'd)

31 December 2009

17. Investments in associates (cont'd)

The summarised financial information of the associates are as follows:

	Group	
	2009 RM	2008 RM
Assets and liabilities		
Current assets	90,905,230	20,101,363
Non-current assets	3,765,794	108,348,371
Total assets	94,671,024	128,449,734
Current liabilities	11,784,189	12,516,779
Non-current liabilities	385,425	533,906
Total liabilities	12,169,614	13,050,685
Results		
Revenue	42,169,544	32,568,881
Loss for the year	(30,627,765)	(24,495,593)

18. Investment in jointly controlled entity

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Unquoted shares, at cost	23,651	23,651	23,651	23,651
Share of post-acquisition reserves	(23,651)	(23,651)	-	-
Less: Accumulated impairment loss (Note 6)	-	-	(23,651)	(23,651)
	-	-	-	-

The Group has discontinued the recognition of its share of losses of the jointly controlled entity because the share of losses of this joint venture has exceeded the Group's interest in the entity.

The Group's unrecognised share of losses of jointly controlled entity for the current year and cumulatively were RM70,669 (2008: RM157,832) and RM850,840 (2008: RM780,171), respectively.

Name of jointly controlled entity	Share capital	Country of incorporation	Equity interest held 2009 %	Equity interest held 2008 %	Principal activities
Direct:					
Cellcast SEA Limited	HKD100,000	Hong Kong	50	50	Provision of television broadcasting services
Indirect:					
Cellcast Interactive (Malaysia) Sdn Bhd *	RM2	Malaysia	50	50	Provision of mobile messaging technology services

* This entity is in process of being deregistered.

Notes to the Financial Statements (cont'd)

31 December 2009

19. Other investment

	Group/Company	
	2009 RM	2008 RM
Quoted shares outside Malaysia, at cost	3,201,892	3,201,892
Less: Impairment loss (Note 6)	(2,489,079)	-
	712,813	3,201,892
Quoted shares outside Malaysia, at market value	712,813	133,110

20. Deferred taxation

	Group	
	2009 RM	2008 RM
At 1 January	1,505,879	1,393,789
Recognised in income statement (Note 11)	(266,217)	167,922
Exchange differences	75,793	(55,832)
At 31 December	1,315,455	1,505,879
Presented after appropriate offsetting as follows:		
Deferred tax assets	1,315,455	1,574,267
Deferred tax liabilities	-	(68,388)
	1,315,455	1,505,879

The components and movements of deferred tax assets and liabilities during the year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Unused tax losses and unabsorbed capital allowances RM	Others RM	Total RM
At 1 January 2009	1,574,267	-	1,574,267
Recognised in income statement	(395,844)	61,239	(334,605)
Exchange differences	65,107	10,686	75,793
At 31 December 2009	1,243,530	71,925	1,315,455
At 1 January 2008	1,381,476	53,650	1,435,126
Recognised in income statement	249,584	(53,650)	195,934
Exchange differences	(56,793)	-	(56,793)
At 31 December 2008	1,574,267	-	1,574,267

Notes to the Financial Statements (cont'd)

31 December 2009

20. Deferred taxation (cont'd)

Deferred tax liabilities of the Group:

	Plant and equipment RM	Others RM	Total RM
At 1 January 2009	(38,850)	(29,538)	(68,388)
Recognised in income statement	38,850	29,538	68,388
At 31 December 2009	-	-	-
At 1 January 2008	(41,337)	-	(41,337)
Recognised in income statement	3,416	(31,428)	(28,012)
Exchange differences	(929)	1,890	961
At 31 December 2008	(38,850)	(29,538)	(68,388)

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

	Group 2009 RM	Group 2008 RM
Unused tax losses	16,451,000	12,964,000
Unabsorbed capital allowances	4,040,000	2,669,000
	20,491,000	15,633,000

21. Trade and other receivables

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Trade receivables	13,028,003	19,162,653	-	-
Third parties	-	-	27,885,773	31,359,016
Subsidiaries	13,028,003	19,162,653	27,885,773	31,359,016
Less: Accumulated allowance for doubtful debts	(2,528,270)	(9,439,325)	(11,568,724)	(13,604,203)
Trade receivables, net	10,499,733	9,723,328	16,317,049	17,754,813
Other receivables				
Amounts due from related parties:				
Subsidiaries	-	-	2,556,504	1,447,337
Associate	335,449	72,116	335,449	45,298
Jointly controlled entity	-	788	-	-
Other receivables, net	335,449	72,904	2,891,953	1,492,635
Less: Accumulated allowance for doubtful debts	(335,449)	-	(2,755,378)	-
Other receivables, net	-	72,904	136,575	1,492,635
Deposits	587,322	759,510	9,273	8,273
Prepayments	595,689	234,431	5,281	-
Sundry receivables	1,106,468	1,525,369	93,370	179,260
	2,289,479	2,592,214	244,499	1,680,168
	12,789,212	12,315,542	16,561,548	19,434,981

Notes to the Financial Statements (cont'd)

31 December 2009

21. Trade and other receivables (cont'd)

During the year, trade receivables amounting to RM6,898,200 (2008: Nil) and RM3,293,025 (2008: Nil) for the Group and Company respectively were written off against accumulated allowance for doubtful debts of the same amounts.

(a) Trade receivables

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with customers are mainly on credit. The credit period ranges from one to three months (2008: one to three months). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are monitored on an ongoing basis via the Group's reporting procedures. As at balance sheet date, the Group does not have significant concentration of credit risk. Trade receivables are non-interest bearing.

(b) Amounts due from related parties - trade and non-trade

Amounts due from related parties are non-interest bearing and are repayable on demand. All related parties receivables are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 30.

Other information on financial risks of other receivables are disclosed in Note 31.

22. Inventories

Inventories represent merchandise stocks held for sale, stated at cost.

23. Cash and bank balances

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash on hand and at banks	1,965,932	2,893,204	293,678	3,222
Deposits with licensed banks	6,477,118	9,041,570	6,349,031	7,753,733
	8,443,050	11,934,774	6,642,709	7,756,955

Included in deposits with licensed banks of the Group and the Company is a deposit of RM6,349,031 (2008: RM7,753,733) being pledged as securities for borrowings (Note 26).

The weighted average effective interest rate and average maturity of deposits with licensed banks at the balance sheet date were as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Weighted average:				
- interest rate (%)	2	4	2	3
- maturity period (days)	42	56	44	42

For the purpose of the cash flow statements, cash and cash equivalents comprise:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash and bank balances	8,443,050	11,934,774	6,642,709	7,756,955
Bank overdraft (Note 26)	-	(2,369,109)	-	(2,369,109)
Total cash and cash equivalents	8,443,050	9,565,665	6,642,709	5,387,846

Notes to the Financial Statements (cont'd)

31 December 2009

24. Share capital, share premium, treasury shares and warrant reserve

Group/Company

	Number of ordinary shares of RM0.10 each		Amount	
	2009 RM	2008 RM	2009 RM	2008 RM
Authorised share capital:				
At 1 January /31 December	500,000,000	500,000,000	500,000,000	500,000,000

	Number of ordinary shares of RM0.10 each					
	Share capital (issued and paid-up)	Treasury shares	Share capital (issued and paid-up) RM	Share premium RM	Treasury shares RM	Warrant reserve RM
2009						
At 1 January	136,125,000	(2,519,100)	13,612,500	61,212,303	(634,025)	7,427,595
Share buybacks	-	(9,423,900)	-	-	(2,724,776)	-
Transaction costs	-	-	-	-	(16,268)	-
At 31 December	136,125,000	(11,943,000)	13,612,500	61,212,303	(3,375,069)	7,427,595
2008						
At 1 January	90,750,000	-	9,075,000	37,631,050	-	-
Rights issue	45,375,000	-	4,537,500	24,177,425	-	7,585,075
Share buybacks	-	(2,519,100)	-	-	(629,450)	-
Transaction costs	-	-	-	(596,172)	(4,575)	(157,480)
At 31 December	136,125,000	(2,519,100)	13,612,500	61,212,303	(634,025)	7,427,595

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

Treasury shares

The shareholders of the Company had given their approval for the Company to buy-back its own shares at the Annual General Meeting held on 15 May 2009.

During the year, the Company repurchased 9,423,900 of its issued ordinary shares from the open market at an average price of RM0.29 per share. The total consideration paid for the repurchase including transaction costs was RM2,741,044 was financed by internally generated fund. As at 31 December 2009, the number of outstanding ordinary shares in issue after the set-off is 124,182,000 (2008: 133,605,900) ordinary shares of RM0.10 each.

Notes to the Financial Statements (cont'd)

31 December 2009

25. Other reserves

	Foreign currency translation reserve RM	Other reserves RM	Total RM
Group			
At 1 January 2009	868,547	24,237,036	25,105,583
Foreign currency translation	(370,494)	-	(370,494)
Disposals of subsidiaries	(174,846)	-	(174,846)
Share of reserves of associates	-	47,404	47,404
At 31 December 2009	323,207	24,284,440	24,607,647
At 1 January 2008	(257,125)	(2,545,243)	(2,802,368)
Foreign currency translation	1,125,672	-	1,125,672
Share of reserves of associates	-	26,782,279	26,782,279
At 31 December 2008	868,547	24,237,036	25,105,583

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Other reserves comprise gain or loss on dilution of interest in associates and share of post acquisition reserves of associates.

Notes to the Financial Statements (cont'd)

31 December 2009

26. Borrowings

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Short term borrowings				
Secured:				
Bank overdraft (Note 23)	-	2,369,109	-	2,369,109
Term loan	1,658,673	988,692	1,658,673	988,692
Hire purchase and finance lease liabilities (Note 27)	71,103	82,711	-	-
	1,729,776	3,440,512	1,658,673	3,357,801
Long term borrowings				
Secured:				
Term loan	4,540,956	3,213,249	4,540,956	3,213,249
Hire purchase and finance lease liabilities (Note 27)	-	71,103	-	-
	4,540,956	3,284,352	4,540,956	3,213,249
Total borrowings				
Secured:				
Bank overdraft (Note 23)	-	2,369,109	-	2,369,109
Term loan	6,199,629	4,201,941	6,199,629	4,201,941
Hire purchase and finance lease liabilities (Note 27)	71,103	153,814	-	-
	6,270,732	6,724,864	6,199,629	6,571,050

The bank overdraft and term loan are secured on a deposit with licensed bank (Note 23). The weighted average effective interest rates and the remaining maturities of these borrowings as at the balance sheet date are disclosed in Note 31(b).

27. Hire purchase and finance lease liabilities

	Group	
	2009 RM	2008 RM
Future minimum lease payments:		
Not later than 1 year	72,450	86,976
Later than 1 year and not later than 2 years	-	72,450
	72,450	159,426
Less: Future finance charges	(1,347)	(5,612)
Present value of finance lease liabilities (Note 26)	71,103	153,814

Notes to the Financial Statements (cont'd)

31 December 2009

27. Hire purchase and finance lease liabilities (cont'd)

	Group 2009 RM	Group 2008 RM
Analysis of present value of finance lease liabilities:		
Not later than 1 year	71,103	82,711
Later than 1 year and not later than 2 years	-	71,103
	71,103	153,814
Less: Amount due within 12 months (Note 26)	(71,103)	(82,711)
Amount due after 12 months (Note 26)	-	71,103

The Group has finance lease and hire purchase contract for motor vehicle (Note 14). The fair value of the hire purchase and finance lease liabilities as at balance sheet date is RM71,000 (2008: RM153,000).

The lease has terms of renewal but no purchase options and escalation clauses. Renewals are at the options of the Group. There are no restrictions placed upon the Group by entering into the lease and no arrangement have been entered into for contingent rental payments.

28. Trade and other payables

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Trade payables				
Third parties	4,362,163	4,338,849	-	-
Other payables				
Amounts due to subsidiaries	-	-	334,211	43,546
Amounts due to directors	-	118,386	-	-
Related party	-	950,100	-	950,100
Accruals	5,781,637	5,158,046	321,246	338,100
Sunday payables	1,319,465	1,918,782	191,862	305,364
	7,101,102	8,145,314	847,319	1,637,110
	11,463,265	12,484,163	847,319	1,637,110

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one to three (2008: one to three) months.

(b) Amounts due to subsidiaries

Amounts due to subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

(c) Amounts due to directors and related party

Amounts due to directors and related party were unsecured and interest free. The amounts had been settled in cash.

Further details on related party transactions are disclosed in Note 30.

Notes to the Financial Statements (cont'd)

31 December 2009

29. Operating lease arrangements

The Group has entered into non-cancellable operating lease agreements for the use of offices. These leases have an average life of between 1 and 2 years with no renewal or purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating lease contracted for as at the balance sheet date but not recognised as liabilities are as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Future minimum rentals payments:				
Not later than 1 year	879,306	1,041,716	20,970	8,738
Later than 1 year and not later than 2 years	184,778	451,739	8,738	-
	1,064,084	1,493,455	29,708	8,738

30. Related party disclosures

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the year:

	Group/Company	
	2009 RM	2008 RM
Jointly controlled entity		
Rendering of services	-	142,610
Settlement of liabilities on behalf of	14,169	436,548
Associate		
Loan to GMO Global Ltd (Note 21(b))	335,449	-
Rendering services	163,641	154,052
Settlement of liabilities on behalf of	49,874	142,342

Other related parties

The Group had recurrent transactions with Green Packet Berhad ("GPB"), an associate of a significant shareholder of the Company, as follows:

	Group	
	2009 RM	2008 RM
Rendering of services to GPB	31,134	656,278
Sales of goods to GPB	-	642,713

The transactions above with related parties have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

30. Related party disclosures (cont'd)

(a) Subsidiaries

The recurrent transactions with subsidiaries are as follows:

	Company	
	2009 RM	2008 RM
Licensing fees charged to*	6,610,910	5,921,115
Management fees charged to*	1,054,792	354,525
Settlement of liabilities on behalf by	1,483,224	1,473,397
Settlement of liabilities on behalf of	99,320	1,035,334

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2009 are disclosed in Notes 21 and 28.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follow:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Short-term employee benefits	2,207,916	2,571,541	239,250	445,200
Defined contribution plan	134,219	128,894	28,716	52,340
	2,342,135	2,700,435	267,966	497,540

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

31. Financial instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity, foreign currency and credit risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk whereas borrowings at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to borrow only from large financial institutions with a 'fixed' base lending rate ("BLR") and agreed spread above the BLR in order to determine the maximum exposure of the Group to interest rate risk. This strategy allows the Group to protect its interest exposure against interest rate hikes.

Details of the Group and Company's borrowings tenure and the respective weighted average effective interest rate are disclosed in the following table.

31. Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

	Note	Weighted average effective interest rate %	Within 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	5 years RM	Total RM
Group/Company								
At 31 December 2009								
Fixed rate								
Finance lease	27	2.30	71,103	-	-	-	-	71,103
Floating rate								
Term loan	26	6.05	1,658,673	1,658,673	1,658,673	869,698	353,912	6,199,629
At 31 December 2008								
Fixed rate								
Finance lease	27	2.30	82,711	71,103	-	-	-	153,814
Floating rate								
Bank overdraft	26	8.25	2,369,109	-	-	-	-	2,369,109
Term loan	26	7.25	988,692	988,692	988,692	988,692	247,173	4,201,941

31. Financial instruments (cont'd)

(c) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(d) Foreign currency risk

The Group is exposed to various foreign currencies, mainly Singapore Dollar and United States Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group manages all its foreign assets and liabilities using the best available foreign currency exchange rates. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group and Company has no significant net unhedged financial assets/(financial liabilities) of that are not denominated in their functional currencies.

(e) Credit risk

The Group's credit risk is primarily attributable to trade receivables. Receivable balances are monitored on an ongoing basis via the Group's reporting procedures. The credit risks of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

(f) Fair values

It is not practical to determine the fair value of balances with related parties due principally to a lack of fixed repayment term entered into by the parties involved and without incurring excessive costs. The directors do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled. The carrying amounts of other financial assets and liabilities approximate their fair values except as indicated in their respective notes.

Notes to the Financial Statements (cont'd)

31 December 2009

32. Segment information

(a) Reporting format

The primary segment reporting format is determined to be geographical segments as the Group's risks and rates of return are determined predominantly by geographical location of its customers and assets. Secondary information is reported by business segment.

(b) Geographical segments

The Group's geographical segments are based on the location of its markets, which is similar to the location of its assets.

The management determines that its geographical segments comprise the following markets which have similar characteristics:

(i) Matured markets - countries with saturated market, including Malaysia and Singapore.

(ii) Emerging markets - countries with potential growth and penetration rate including Hong Kong, China, Indonesia, Thailand, Vietnam, India and the Philippines.

(c) Business segments

The Group's business segment comprises the following main business segments:

(i) Mobile applications and technology services - provision of mobile applications and related technology services, software development and product customisation.

(ii) Telecommunication support activities - provision of support services to telecommunication in relation to Voice Over Internet Protocol ("VOIP"), supply of related goods and provision of related technology consultancy. For the current year, the remaining contribution from this segment after the discontinued operation of VOIP no longer qualify as a single reportable segment. Accordingly, the contribution from this segment has been combined with that of the other business segment in the current year.

(d) Allocation basis and transfer pricing

Sales to external customers disclosed in geographical segments are based on the geographical location where sales is generated. Segmental assets are based on the location of those assets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transfer prices between geographical segments are set on an arm's length basis in a manner similar to transactions with third parties. These transfers are eliminated on consolidation.

Notes to the Financial Statements (cont'd)

31 December 2009

32. Segment information (cont'd)

Geographical segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segments:

	Continuing Operations				Discontinued Operation	Total Operations
	Matured markets RM	Emerging markets RM	Eliminations RM	Total RM	RM	RM
31 December 2009						
Revenue						
Sales to external customers	21,069,407	20,846,239	-	41,915,646	817,097	42,732,743
Inter-segment sales	7,665,702	-	(7,665,702)	-	-	-
Total revenue	28,735,109	20,846,239	(7,665,702)	41,915,646	817,097	42,732,743
Results						
Segment results	(54,544,967)	(2,689,711)	5,038,189	(52,196,489)	(408,924)	(52,605,413)
Finance costs	-	-	-	(592,391)	-	(592,391)
Share of results of associates	1,582,588	(13,296,204)	-	(11,713,616)	-	(11,713,616)
Loss before tax				(64,502,496)	(408,924)	(64,911,420)
Income tax expense				(277,622)	-	(277,622)
Loss for the year				(64,780,118)	(408,924)	(65,189,042)
Assets						
Segment assets	45,911,925	21,766,265	(35,740,512)	31,937,678	-	31,937,678
Tax recoverable	216,092	-	-	216,092	-	216,092
Deferred tax assets	778,943	536,512	-	1,315,455	-	1,315,455
Investments in associates	6,914,807	-	-	6,914,807	-	6,914,807
				40,384,032	-	40,384,032
Liabilities						
Segment liabilities	47,362,317	22,223,380	(51,851,700)	17,733,997	-	17,733,997
Other segment information:						
Capital expenditure	159,806	126,603	-	286,409	-	286,409
Depreciation of plant and equipment	473,607	384,618	-	858,225	27,639	885,864
Amortisation of intangible assets	1,399,920	928,558	-	2,328,478	67,032	2,395,510
Impairment of investment in an associate	-	42,710,359	-	42,710,359	-	42,710,359
Impairment of intangible assets	5,096,159	-	-	5,096,159	-	5,096,159
Impairment of other investment	2,489,079	-	-	2,489,079	-	2,489,079
Allowance for doubtful debts	7,615,715	788	(7,293,909)	322,594	-	322,594
Loss on disposal of plant and equipment	184	24,377	(1,148)	23,413	-	23,413
Plant and equipment written off	1,656	18,953	1,103	21,712	-	21,712

Notes to the Financial Statements (cont'd)

31 December 2009

32. Segment information (cont'd)

Geographical segments (cont'd)

	Continuing Operations				Discontinued Operation	Total Operations
	Matured markets RM	Emerging markets RM	Eliminations RM	Total RM	RM	RM
31 December 2008						
Revenue						
Sales to external customers	16,449,373	19,376,490	-	35,825,863	3,260,660	39,086,523
Inter-segments ales	6,275,639	-	(6,275,639)	-	-	-
Total revenue	22,725,012	19,376,490	(6,275,639)	35,825,863	3,260,660	39,086,523
Results						
Segment results	(29,742,969)	(4,892,065)	18,735,134	(15,899,900)	(16,421,284)	(32,321,184)
Finance costs	-	-	-	(383,461)	-	(383,461)
Share of results of associates	447,596	(8,536,919)	-	(8,089,323)	-	(8,089,323)
Loss before tax				(24,372,684)	(16,421,284)	(40,793,968)
Income tax expense				(64,623)	48,928	(15,695)
Loss for the year				(24,437,307)	(16,372,356)	(40,809,663)
Assets						
Segment assets	62,809,772	24,750,367	(43,176,736)	44,383,403	2,124,645	46,508,048
Tax recoverable	420,589	-	-	420,589	-	420,589
Deferred tax assets	832,200	742,067	-	1,574267	-	1,574,267
Investments in associates	6,332,279	56,020,459	-	62,352,738	-	62,352,738
				108,730,997	2,124,645	110,855,642
Liabilities						
Segment liabilities	44,458,401	22,697,079	(53,072,290)	14,083,190	5,125,837	19,209,027
Deferred tax liabilities	68,388	-	-	68,388	-	68,388
Income tax payable	210,807	35,015	-	245,822	-	245,822
				14,397,400	5,125,837	19,523,237
Other segment information:						
Capital expenditure	687,771	872,143	-	1,559,914	-	1,559,914
Depreciation of plant and equipment	574,868	293,846	-	868,714	73,201	941,915
Amortisation of intangible assets	1,312,385	844,763	-	2,157,148	1,811,515	3,968,663
Impairment of investment in an associate	-	5,586,150	-	5,586,150	-	5,586,150
Impairment of intangible assets	1,648,350	2,988,504	-	4,636,854	13,584,946	18,221,800
Bad debts written off	2,592,372	-	(2,559,332)	33,040	-	33,040
Allowance for doubtful debts	25,042,206	1,797,051	(22,901,920)	3,937,337	1,296,957	5,234,294
Plant and equipment written off	938,434	4,240	56,649	999,323	-	999,323

Notes to the Financial Statements (cont'd)

31 December 2009

32. Segment information (cont'd)

Business segments

The following table provides an analysis of the Group's revenue by business segments:

	Revenue by business segments	
	2009 RM	2008 RM
Continuing Operations:		
Mobile applications and technology services	41,915,646	35,191,072
Telecommunication support activities	-	634,791
	41,915,646	35,825,863
Discontinued Operation:		
Telecommunication support activities	817,097	3,260,660
Total Operations:		
Mobile applications and technology services	41,915,646	35,191,072
Telecommunication support activities	817,097	3,895,451
	42,732,743	39,086,523

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by business segments:

	Segment assets		Capital expenditure	
	2009 RM	2008 RM	2009 RM	2008 RM
Continuing Operations:				
Mobile applications and technology services	40,384,032	104,761,856	286,409	1,521,404
Telecommunication support activities	-	3,969,141	-	38,510
	40,384,032	108,730,997	286,409	1,559,914
Discontinued Operation:				
Telecommunication support activities	-	2,124,645	-	-
Total Operations:				
Mobile applications and technology services	40,384,032	104,761,856	286,409	1,521,404
Telecommunication support activities	-	6,093,786	-	38,510
	40,384,032	110,855,642	286,409	1,559,914

Notes to the Financial Statements (cont'd)

31 December 2009

33. Subsequent event

Subsequent to year end, the Company increased its issued and paid-up ordinary share capital from RM13,612,500 to RM26,925,000 by way of issuance of a renounceable rights issue of 133,125,000 new ordinary shares of RM0.10 each on the basis of one rights share for every one existing ordinary share held together with 53,250,000 free detachable new warrants on the basis of two new warrants for every five rights shares subscribed at an issue price of RM0.10 per rights share. The renounceable rights issue was completed on 19 March 2010. The net proceeds received from the issuance of new ordinary shares is RM12,731,309 after netting off direct expenses of RM581,191.

The new warrants 2010/2020 issued on 17 March 2010 were listed on the ACE market of Bursa Malaysia Securities Berhad on 19 March 2010. They were constituted by a Deed Poll executed on 25 January 2010. The main features of warrants 2010/2020 are as stated below:

(i) Each warrant 2010/2020 entitles the holder to subscribe for 1 new ordinary share of RM0.10 each in the Company at a price of RM0.27 per share by cash;

(ii) The warrants 2010/2020 may be exercised at any time on or before 16 March 2020;

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

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

Analysis of Shareholdings

As At 5 April 2010

Authorised Share Capital	:	500,000,000
Issued & Fully Paid-up Capital	:	269,250,000
Treasury Shares	:	21,620,400
'Adjusted' Capital After Netting Treasury Shares	:	247,629,600
Class of Shares	:	Ordinary share of RM0.10
Voting Rights	:	One vote per share
Number of Shareholders	:	1,427

Distribution of Shareholding

Size of Shareholdings	No. of Holders	%	No. of Shares	%
1 - 99	8	0.561	305	0.000
100 - 1000	328	22.985	97,350	0.039
1,001 - 10,000	415	29.082	2,462,900	0.995
10,001 - 100,000	565	39.594	22,211,750	8.970
100,001 To Less Than 5% of Issued Shares	108	7.568	50,014,303	20.197
5% And Above Of Issued Shares	3	0.210	172,842,992	69.799
	1,427	**100.00**	**247,629,600**	**100.000**

Directors' Shareholdings

Name	Direct	%	Indirect	%
1 GOH EUGENE (WU EUGENE)	62,209,498	25.121	-	-
2 TAN WEE MENG (CHEN WEIMING)	37,995,751	15.344	-	-
3 NG JOO JOW	6,000	0.000	-	-
4 LAI TECK KIN	-	-	-	-
5 YEE CHEE WAI, PATRICK	-	-	-	-

Substantial Shareholders

Name	Direct	%	Indirect	%
1 GOH EUGENE (WU EUGENE)	62,209,498	25.121	-	-
2 TAN WEE MENG (CHEN WEIMING)	37,995,751	15.344	-	-
3 OSK CAPITAL PARTNERS SDN BHD	73,358,496	29.624	-	-
4 OSK VENTURES INTERNATIONAL BERHAD	-	-	73,358,496	29.624[1]
5 ONG LEONG HUAT @ WONG JOO HWA	-	-	73,358,496	29.624[2]

1 Deemed interested through its wholly-owned subsidiary, OSK Capital Partners Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

2 Deemed interested by virtue of his shareholdings in OSK Ventures International Berhad pursuant to Section 6A of the Companies Act, 1965.

Analysis of Shareholdings (cont'd)

As At 5 April 2010

The 30 Largest Securities Account Holders

	Holder name	No of Shares Held	%
1	OSK CAPITAL PARTNERS SDN BHD	73,358,496	29.624
2	OSK NOMINEES (ASING) SDN BERHAD OSK CAPITAL SDN BHD FOR GOH EUGENE (WU EUGENE)	62,209,498	25.121
3	OSK NOMINEES (ASING) SDN BERHAD OSK CAPITAL SDN BHD FOR TAN WEE MENG (CHEN WEIMING)	37,274,998	15.052
4	NORA EE SIONG CHEE	6,944,000	2.804
5	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	5,504,900	2.223
6	TCL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIEH JOO SHIONG	2,718,700	1.097
7	LEE CHAI ENG	1,683,500	0.679
8	BOEY TAK KONG	1,582,800	0.639
9	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RESOLUTE FORCE SDN. BHD. (MARGIN)	1,299,000	0.524
10	KHOO SU CHIN	1,040,100	0.420
11	CHEN CHAI HOON	1,000,000	0.403
12	TAN KIN LEE	1,000,000	0.403
13	CHEW GUAT LOOI	956,000	0.386
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP SOON LEONG (E-TCS)	939,000	0.379
15	MAYBAN NOMINEES (ASING) SDN BHD NOMURA SINGAPORE LIMITED FOR XCESS FINANCE CO LTD (250251)	906,150	0.365
16	SHIN KONG KEW @ CHIN KONG KEW	841,800	0.339
17	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR OSK-UOB EMERGING OPPORTUNITY UNIT TRUST (4611)	821,400	0.331
18	TEO AH SENG	722,300	0.291

Analysis of Shareholdings (cont'd)

As At 5 April 2010

The 30 Largest Securities Account Holders (cont'd)

	Holder name	No of Shares Held	%
19	TAY CHEE MENG @ TEE HAN MENG	700,000	0.282
20	YAP NGAN CHOY	642,300	0.259
21	CHONG LEE FONG	620,000	0.250
22	CHONG HON MIN	600,000	0.242
23	KHAW SWEE LEAN	600,000	0.242
24	NGIAM YOON MIN	540,000	0.218
25	NG SIEW KIAN	525,300	0.212
26	NG HENG HOOI	500,000	0.201
27	AMSEC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN WEE MENG (CHEN WEIMING)	453,200	0.183
28	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUMI MATSUMURA (CTS-SUM0001)	450,000	0.181
29	WONG YUET YING	441,600	0.178
30	OH CHEE LOK	420,000	0.169
		207,295,042	**83.697**

Analysis of Warrant A Holdings

As At 5 April 2010

Distribution of Warrants Shareholding

Size of Warrant Shareholdings	No. of Holders	%	No. of Warrants	%
1 - 99	21	5.185	1,283	0.001
100 - 1000	20	4.938	13,609	0.020
1,001 - 10,000	136	33.580	621,543	0.915
10,001 - 100,000	175	43.210	6,336,917	9.325
100,001 To Less Than 5% of Issued Warrants	50	12.346	17,373,690	25.565
5% And Above Of Issued Warrants	3	0.741	43,612,903	64.174
	405	**100.000**	**67,959,945**	**100.000**

Directors' Warrant Holdings

	Name	Direct	%	Indirect	%
1	GOH EUGENE (WU EUGENE)	17,775,773	26.156	-	-
2	TAN WEE MENG (CHEN WEIMING)	9,407,377	13.843	-	-
3	NG JOO JOW	1,497	0.000	-	-
4	LAI TECK KIN	-	-	-	-
5	YEE CHEE WAI, PATRICK	-	-	-	-

Analysis of Warrant A Holdings (cont'd)

As At 5 April 2010

The 30 Largest Warrants Account Holders

	Holder name	No of Warrants Held	%
1	OSK NOMINEES (ASING) SDN BERHAD OSK CAPITAL SDN BHD FOR GOH EUGENE (WU EUGENE)	17,775,773	26.156
2	OSK CAPITAL PARTNERS SDN BHD	16,532,423	24.326
3	OSK NOMINEES (ASING) SDN BERHAD OSK CAPITAL SDN BHD FOR TAN WEE MENG (CHEN WEIMING)	9,304,707	13.691
4	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR OSK-UOB GLOBAL NEW STARS FUND (5717-401)	2,386,199	3.511
5	KHOO BOO GHEE	1,673,274	2.462
6	NORA EE SIONG CHEE	1,497,739	2.203
7	CHEW GUAT LOOI	769,089	1.131
8	THIA LEE HEONG	732,485	1.077
9	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUAH HAI LENG (E-PPG)	599,663	0.882
10	TA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHARLES ROSS MCKINNON	510,172	0.750
11	TAN CHENG	499,547	0.735
12	MAYBAN NOMINEES (ASING) SDN BHD NOMURA SINGAPORE LIMITED FOR XCESS FINANCE CO LTD (250251)	452,392	0.665
13	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO ENG HAI	390,760	0.574
14	TEO AH SENG	389,412	0.573
15	YAP KIM PIN	301,045	0.442
16	CHONG MOEY EAN	299,547	0.440

Analysis of Warrant A Holdings (cont'd)

As At 5 April 2010

The 30 Largest Warrants Account Holders (cont'd)

	Holder name	No of Warrants Held	%
17	TAN GET WAH	299,547	0.440
18	ZAWAIAH BINTI MOHAMED	299,547	0.440
19	TCL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIEH JOO SHIONG	290,786	0.427
20	INDAR KAUR A/P DAN SINGH	287,566	0.423
21	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ROSLI BIN ROHMAN	269,998	0.397
22	MAYBAN NOMINEES (TEMPATAN) SDN BHD TEO AH SENG	269,593	0.396
23	YEAP AI NEE	249,800	0.367
24	CHONG MUI CHOO	236,642	0.348
25	YAP KUE THAY	225,847	0.332
26	LIM TAW YONG	224,660	0.330
27	OOI SAY INN	224,660	0.330
28	WONG CHEE THONG	224,660	0.330
29	MATRIX BINARY SDN BHD	209,683	0.308
30	VOON BOON SHUNG	209,683	0.308
		57,636,899	**84.794**

Analysis of Warrant B Holdings

As At 5 April 2010

Distribution of Warrants Shareholding

Size of Warrant Shareholdings	No. of Holders	%	No. of Warrants	%
1 - 99	55	7.983	2,477	0.004
100 - 1000	72	10.450	41,192	0.078
1,001 - 10,000	324	47.025	1,542,690	2.897
10,001 - 100,000	198	28.737	6,173,181	11.593
100,001 To Less Than 5% of Issued Warrants	37	5.370	11,447,160	21.497
5% And Above Of Issued Warrants	3	0.435	34,043,300	63.931
	689	**100.000**	**53,250,300**	**100.000**

Directors' Warrant Holdings

Name	Direct	%	Indirect	%
1 GOH EUGENE (WU EUGENE)	12,441,900	23.365	-	-
2 TAN WEE MENG (CHEN WEIMING)	7,613,041	14.297	-	-
3 NG JOO JOW	1,200	-	-	-
4 LAI TECK KIN	-	-	-	-
5 YEE CHEE WAI, PATRICK	-	-	-	-

Analysis of Warrant B Holdings (cont'd)

As At 5 April 2010

The 30 Largest Warrants Account Holders

	Holder name	No of Warrants Held	%
1	OSK CAPITAL PARTNERS SDN BHD	14,146,400	26.566
2	OSK NOMINEES (ASING) SDN BERHAD OSK CAPITAL SDN BHD FOR GOH EUGENE (WU EUGENE)	12,441,900	23.365
3	OSK NOMINEES (ASING) SDN BERHAD OSK CAPITAL SDN BHD FOR TAN WEE MENG (CHEN WEIMING)	7,455,000	14.000
4	SHIN KONG KEW @ CHIN KONG KEW	1,700,120	3.192
5	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	1,645,900	3.090
6	NORA EE SIONG CHEE	1,388,800	2.608
7	TCL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIEH JOO SHIONG	592,500	1.112
8	JF APEX NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FALCON ASSET INVESTMENTS LTD (MARGIN)	532,000	0.999
9	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RESOLUTE FORCE SDN BHD (MARGIN)	365,800	0.686
10	BOEY TAK KONG	345,120	0.648
11	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHIN HUAT (REM 862)	282,000	0.529
12	WONG KIU HUA	250,000	0.469
13	CHEN CHAI HOON	200,000	0.375
14	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR YAP NGAN CHOY (MY0020)	200,000	0.375
15	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG ONN (STA 2)	200,000	0.375
16	TA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHARLES ROSS MCKINNON	200,000	0.375

Analysis of Warrant B Holdings (cont'd)

As At 5 April 2010

The 30 Largest Warrants Account Holders (cont'd)

	Holder name	No of Warrants Held	%
17	TAN KIN LEE	200,000	0.375
18	YEO SAN SAN	200,000	0.375
19	CHEW GUAT LOOI	191,200	0.359
20	LIM SYE GUEK	180,000	0.338
21	CHU YEE SAN	178,040	0.334
22	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR OSK-UOB EMERGING OPPORTUNITY UNIT TRUST (4611)	164,280	0.308
23	TEO AH SENG	160,920	0.302
24	NG SIEW KIAN	160,080	0.300
25	LIM SZE HOCK	160,000	0.300
26	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMAD AZRIL BIN ABDUL RAZAK (CEB)	152,000	0.285
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NG KIAN BEE (MY0798)	150,000	0.281
28	JOAN CHIN CHOO ANN	150,000	0.281
29	LIM WENG TAI	150,000	0.281
30	NG HENG HOOI	147,920	0.277
		44,289,980	**83.160**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at Greens I, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 14 May 2010 at 10.00 a.m. for the purpose of considering the following businesses:

AGENDA

Ordinary Business

1. To lay the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and the Auditors thereon.

2. To approve the payment of Directors' fees of RM105,400 for the financial year ended 31 December 2009. **Ordinary Resolution 1**

3. To re-elect the following Directors who are retiring pursuant to Article 93 of the Company's Articles of Association, and being eligible, offering themselves for re-election:

   i) Goh Eugene (Wu Eugene) **Ordinary Resolution 2**

   (ii) Lai Teik Kin **Ordinary Resolution 3**

4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

Special Business

To consider and if thought fit, to pass the following ordinary resolutions:

5. **Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965**

   "THAT pursuant to Section 132D of the Companies Act, 1965 ("the Act"), the Directors be and are hereby authorised to issue and allot shares in the Company at any time until the conclusion of the next Annual General Meeting ("AGM") and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company at the time of issue and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued, subject to the Act, the Articles of Association of the Company and approval from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant regulatory authorities where such approval is necessary." **Ordinary Resolution 5**

6. **Proposed Renewal of Authority to Directors on Purchase of the Company's Own Shares**

   THAT subject to Section 67A of the Act and Part IIIA of the Companies Regulations, 1966, provisions of the Company's Articles of Association and the requirements of Bursa Securities and any other relevant authority, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM0.10 each in the Company's issued and paid-up share capital through Bursa Securities subject further to the following: -

   (i) the maximum number of shares which may be purchased and / or held by the Company shall be equivalent to ten per centum (10%) of the issued and paid-up share capital of the Company ("Shares") for the time being;

   (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained profits and share premium account of the Company. As of 31 December 2009, the audited accumulated losses and share premium account of the Company were RM46,484,634 and RM61,212,303 respectively;

Notice of Annual General Meeting (cont'd)

(iii) the authority conferred by this resolution will commence immediately upon passing of this resolution and will expire at the conclusion of the next AGM of the Company, unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting or the expiration of the period within which the next AGM after that date is required by the law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authority; and

(iv) upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorised to deal with the Shares in the following manner: -

(a) cancel the Shares so purchased; or
(b) retain the Shares so purchased as treasury shares; or
(c) retain part of the Shares so purchased as treasury shares and cancel the remainder; or
(d) distribute the treasury shares as dividends to shareholders and / or resell on Bursa Securities and / or cancel all or part of them; or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares with full power to assent to any condition, modification, variation and / or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto. **Ordinary Resolution 6**

BY ORDER OF THE BOARD

LIM MING TOONG (MAICSA 7000281)
NG LAI YEE (MAICSA 7031768)
Company Secretaries
Kuala Lumpur
22 April 2010

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 and the provisions of Section 149(1)(b) of the Act shall not apply to 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. The instrument of proxy shall be deposited at the Company's Share Registrar's Office at Tricor Investor Services Sdn Bhd (Formerly known as Tenaga Koperat Sdn Bhd), Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.

3. Form of Proxy sent through facsimile transmission shall not be accepted.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. The proposed Ordinary Resolution 5 if passed, will give the Directors of the Company authority to issue and allot shares for such purposes as the Directors in their absolute discretion considered to be in the interest of the Company, without having to convene a general meeting. This authority, unless revoked or varied by the Company in general meeting, will expire at the next AGM of the Company. No shares had been issued and allotted by the Company since obtaining the said authority from its shareholders at the last AGM held on 15 May 2009.

2. The proposed Ordinary Resolution 6, if passed, will empower the Company to purchase and / or hold up to ten per centum (10%) of the issued and paid-up share capital of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next AGM.

   Please refer to the Share Buy-Back Statement dated 22 April 2010 which is despatched together with this Annual Report for further information.

Statement Accompanying Notice of Annual General Meeting

Directors who are standing for re-election at the Sixth AGM of the Company to be held at Greens 1, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 14 May 2010 at 10.00 a.m. are as follows:

(i) Goh Eugene (Wu Eugene)
(ii) Lai Teik Kin

Further details of the Directors standing for re-election are set out in the Directors' Profiles appearing on pages 4 to 5 of this Annual Report.

During the financial year ended 31 December 2009, five (5) Board meetings were held. Details of attendance of each Director are set out in the Statement on Corporate Governance appearing on page 9 of this Annual Report.

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mTouche™
MTOUCHE TECHNOLOGY BERHAD
(656395-X)

FORM OF PROXY

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 Sixth Annual General Meeting of the Company to be held at Greens I, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 14 May 2010 at 10.00 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		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		

(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 ____________ 2010

Number of shares held	
CDS Account No.	

____
Signature/Common Seal of Shareholder

Notes :-

1. A members 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 and the provisions of Section 149(1)(b) of the Act shall not apply to 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. The instrument of proxy shall be deposited at the Company's Share Registrar's Office at Tricor Investor Services Sdn Bhd (Formerly known as Tenaga Koperat Sdn Bhd), Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.

3. Form of Proxy sent through facsimile transmission shall not be accepted.

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MTOUCHE TECHNOLOGY BERHAD
(656395-X)

LEVEL 7, THE GARDEN NORTH TOWER
MID VALLEY CITY
LINGKARAN SYED PUTRA
59200 KUALA LUMPUR

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