

ISENTRIC SDN. BHD.

(Incorporated in Malaysia)

Company No: 183309 - K

FINANCIAL REPORT

for the financial year ended 31 December 2012

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ISENTRIC SDN. BHD.

(Incorporated in Malaysia)

Company No: 183309 - K

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and providing mobile business solutions. The principal activity of the subsidiary is set out in Note 5 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	The Group RM	The Company RM
Profit after taxation for the financial year	<u>3,007,812</u>	<u>3,009,098</u>

DIVIDENDS

Since the end of the previous financial year, the Company paid/declared the following dividends:-

- (a) a first tax-exempt interim dividend of RM26 per ordinary share amounting to RM2,600,000 in respect of the current financial year; and
- (b) a second tax-exempt interim dividend of RM4 per ordinary share amounting to RM400,000 in respect of the current financial year.

The directors do not recommend the payment of further dividends for the current financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the authorised and issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

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DIRECTORS' REPORT

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that no allowance for impairment losses on receivables is required.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

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DIRECTORS' REPORT

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows:-

Lee Chin Wee

Ng Chin Kong

DIRECTORS' INTERESTS

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

	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	AT 1.1.2012	BOUGHT	SOLD	AT 31.12.2012
Lee Chin Wee	50,000	-	-	50,000
Ng Chin Kong	50,000	-	-	50,000

By virtue of their shareholdings in the Company, Lee Chin Wee and Ng Chin Kong are deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 6A of the Companies Act 1965.

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DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with company in which the directors have substantial financial interest as disclosed in Note 22 to the financial statements.

Neither during nor at the end of the financial year, was the Group and of the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 15 MAY 2013



Ng Chin Kong



Lee Chin Wee

15 MAY 2013

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STATEMENT BY DIRECTORS

We, Ng Chin Kong and Lee Chin Wee, being the two directors of Isentric Sdn. Bhd., state that, in our opinion, the financial statements set out on pages 9 to 45 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2012 and of their results and cash flows for the financial year ended on that date.

15 MAY 2013

Signed in accordance with a resolution of the directors dated



Ng Chin Kong



Lee Chin Wee

STATUTORY DECLARATION

I, Ng Chin Kong, I/C No. 781106-14-5705, being the director primarily responsible for the financial management of Isentric Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 9 to 45 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Ng Chin Kong, I/C No. 781106-14-5705,
at Kuala Lumpur in the Federal Territory
on this

15 MAY 2013

Before me



Ng Chin Kong

No. 1, Tingkat 2,
Jalan Ampang,
50450 Kuala Lumpur

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ISENTRIC SDN. BHD.**

(Incorporated in Malaysia)
Company No: 183309 - K

Report on the Financial Statements

We have audited the financial statements of Isentric Sdn. Bhd., which comprise statements of financial position as at 31 December 2012 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 45.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ISENTRIC SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)

Company No: 183309 - K

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 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 have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 5 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit report on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ISENTRIC SDN. BHD. (CONT'D)**
(Incorporated in Malaysia)
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Other Matters

- 1) As stated in Note 3.1 to the financial statements, Isentric Sdn. Bhd. adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.
- 2) This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Crowe Horwath
Firm No: AF 1018
Chartered Accountants

15 MAY 2013

Kuala Lumpur



Ngiam Mia Teck
Approval No: 3000/07/14 (J)
Chartered Accountant

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STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2012

	NOTE	THE GROUP 31.12.2012 RM	31.12.2012 RM	THE COMPANY 31.12.2011 RM	1.1.2011 RM
ASSETS					
NON-CURRENT ASSETS					
Investment in a subsidiary	5	-	2	-	-
Property and equipment	6	118,956	118,956	131,374	100,896
Development expenditure	7	138,190	138,190	121,084	157,349
		<u>257,146</u>	<u>257,148</u>	<u>252,458</u>	<u>258,245</u>
CURRENT ASSETS					
Trade receivables	8	6,417,564	6,417,564	4,463,694	4,806,439
Other receivables and deposits	9	642,978	642,336	78,417	63,208
Tax refundable		6,732	6,732	3,189	8,000
Fixed deposits with licensed banks	10	-	-	1,014,758	1,109,758
Cash and bank balances		526,446	525,696	228,356	363,804
		<u>7,593,720</u>	<u>7,592,328</u>	<u>5,788,414</u>	<u>6,351,209</u>
TOTAL ASSETS		<u>7,850,866</u>	<u>7,849,476</u>	<u>6,040,872</u>	<u>6,609,454</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital	11	100,000	100,000	100,000	100,000
Retained profits	12	3,394,504	3,395,790	3,386,692	3,307,401
TOTAL EQUITY		<u>3,494,504</u>	<u>3,495,790</u>	<u>3,486,692</u>	<u>3,407,401</u>
NON-CURRENT LIABILITY					
Deferred tax liabilities	13	-	-	31,780	31,780
CURRENT LIABILITIES					
Trade payables	14	3,737,048	3,737,048	2,473,834	3,145,340
Other payables and accruals	15	619,314	616,638	48,566	24,933
		<u>4,356,362</u>	<u>4,353,686</u>	<u>2,522,400</u>	<u>3,170,273</u>
TOTAL LIABILITIES		<u>4,356,362</u>	<u>4,353,686</u>	<u>2,554,180</u>	<u>3,202,053</u>
TOTAL EQUITY AND LIABILITIES		<u>7,850,866</u>	<u>7,849,476</u>	<u>6,040,872</u>	<u>6,609,454</u>

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**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	NOTE	The Group 2012 RM	THE COMPANY 2012 RM	2011 RM
REVENUE	16	17,516,617	17,516,617	20,144,384
COST OF SALES		(13,330,612)	(13,330,612)	(16,423,587)
GROSS PROFIT		4,186,005	4,186,005	3,720,797
OTHER INCOME		80,111	80,111	24,945
		4,266,116	4,266,116	3,745,742
ADMINISTRATION EXPENSES		(1,210,002)	(1,208,716)	(995,823)
OTHER EXPENSES		(76,299)	(76,299)	(257,817)
PROFIT BEFORE TAXATION	17	2,979,815	2,981,101	2,492,102
INCOME TAX EXPENSE	18	27,997	27,997	(12,811)
PROFIT AFTER TAXATION		3,007,812	3,009,098	2,479,291
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		3,007,812	3,009,098	2,479,291
PROFIT AFTER TAXATION FOR THE FINANCIAL YEAR ATTRIBUTABLE TO:-				
Owners of the Company		3,007,812	3,009,098	2,479,291
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-				
Owners of the Company		3,007,812	3,009,098	2,479,291

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	NOTE	Share Capital RM	Retained Profits RM	Total RM
THE GROUP				
Balance at 1.1.2012		100,000	3,386,692	3,486,692
Profit after taxation/Total comprehensive income for the financial year		-	3,007,812	3,007,812
Dividends	20	-	(3,000,000)	(3,000,000)
Balance at 31.12.2012		<u>100,000</u>	<u>3,394,504</u>	<u>3,494,504</u>
THE COMPANY				
Balance at 1.1.2011		100,000	3,307,401	3,407,401
Profit after taxation/Total comprehensive income for the financial year		-	2,479,291	2,479,291
Dividends		-	(2,400,000)	(2,400,000)
Balance at 31.12.2011/1.1.2012	20	<u>100,000</u>	<u>3,386,692</u>	<u>3,486,692</u>
Profit after taxation/Total comprehensive income for the financial year		-	3,009,098	3,009,098
Dividends	20	-	(3,000,000)	(3,000,000)
Balance at 31.12.2012		<u>100,000</u>	<u>3,395,790</u>	<u>3,495,790</u>

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**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	NOTE	THE GROUP 2012 RM	THE COMPANY 2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation		2,979,815	2,981,101	2,492,102
Adjustments for:-				
Amortisation of development expenditure		138,711	138,711	139,203
Bad debts written off		-	-	183,165
Depreciation of property and equipment		75,792	75,792	74,652
Interest income		(25,820)	(25,820)	(24,945)
Gain on disposal of equipment		(5,367)	(5,367)	-
Writeback of impairment loss on trade receivables		(20,140)	(20,140)	-
Operating profit before working capital changes		3,142,991	3,144,277	2,864,177
(Increase)/Decrease in trade and other receivables		(2,498,291)	(2,497,649)	144,371
Increase/(Decrease) in trade and other payables		1,433,202	1,431,286	(647,873)
CASH FROM OPERATIONS		2,077,902	2,077,914	2,360,675
Income tax paid		(7,326)	(7,326)	(8,000)
NET CASH FROM OPERATING ACTIVITIES		2,070,576	2,070,588	2,352,675
CASH FLOWS FOR INVESTING ACTIVITIES				
Investment in a subsidiary		-	(2)	-
Net cash inflow from acquisition of a subsidiary	19	760	-	-
Purchase of property and equipment		(64,107)	(64,107)	(105,130)
Proceed from disposal of equipment		6,100	6,100	-
Development expenditure		(155,817)	(155,817)	(102,938)
Interest received		25,820	25,820	24,945
NET CASH FOR INVESTING ACTIVITIES		(187,244)	(188,006)	(183,123)
NET CASH FOR FINANCING ACTIVITY				
Dividends paid	20	(2,600,000)	(2,600,000)	(2,400,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(716,668)	(717,418)	(230,448)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		1,243,114	1,243,114	1,473,562
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	21	526,446	525,696	1,243,114

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

1. GENERAL INFORMATION

The Company is a private company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office : 16B, Jalan SS4D/14,
47301 Petaling Jaya,
Selangor Darul Ehsan.

Principal place of business : 3, Jalan 51A/227,
46100 Petaling Jaya,
Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 15 May 2013.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and providing mobile business solutions. The principal activity of the subsidiary is set out in Note 5 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention, and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of Companies Act 1965 in Malaysia.

- 3.1 These are the Group's first set of financial statements prepared in accordance with MFRSs, which are also in line with International Financial Reporting Standards as issued by the International Accounting Standards Board.

In the previous financial year, the financial statements of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). There were no material financial impacts on the transition from FRSs to MFRSs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

3. BASIS OF PREPARATION (CONT'D)

- 3.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and IC Interpretations (Including The Consequential Amendments) (Cont'd)	Effective Date
MFRS 9 Financial Instruments	1 January 2015
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance	1 January 2013
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual Improvements to MFRSs 2009 – 2011 Cycle	1 January 2013

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

MFRS 9 replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories – those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

3. BASIS OF PREPARATION (CONT'D)

- 3.2 The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows (Cont'd):-

MFRS 10 replaces the consolidation guidance in MFRS 127 and IC Interpretation 112. Under MFRS 10, there is only one basis for consolidation, which is control. Extensive guidance has been provided in the standard to assist in the determination of control.

MFRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. MFRS 12 is a disclosure standard and the disclosure requirements in this standard are more extensive than those in the current standards. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

MFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards and therefore there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

The amendments to MFRS 7 (Disclosures – Offsetting Financial Assets and Financial Liabilities) require disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The amendments to MFRS 101 retain the option to present comprehensive income in either a single statement or in two separate but consecutive statements. In addition, items presented in other comprehensive income section are to be grouped based on whether they are potentially re-classifiable to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities.

The Annual Improvements to MFRSs 2009 – 2011 Cycle contain amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Property and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Amortisation of Development Costs

Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges could be revised.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(e) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment loss. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(f) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to 31 December 2012.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION(CONT'D)

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

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

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(c) Acquisitions of Non-controlling Interests

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

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4. SIGNIFICANT ACCOUNTING POLICY (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(d) Loss of Control

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FUNCTIONAL AND PRESENTATION CURRENCY

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

4.5 FINANCIAL INSTRUMENTS

Financial instruments are recognised in the statement of financial position when the Company has become a party to the contractual provisions of the instruments.

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 an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Company 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.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(c) Equity Instruments

Instruments classified as equity are measured at cost and are not remeasured subsequently. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Office equipment	20%
Computer equipment	33%
Motor vehicles	20%
Renovation	20%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amounts of parts that are replaced is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Development Expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

- (i) its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its ability to use or sell the developed asset;
- (v) the availability of adequate technical, financial and other resources to complete the asset under development; and
- (vi) its intention to complete intangible asset and use or sell it.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 3 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 IMPAIRMENT (CONT'D)

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

4.10 INCOME TAXES

Income tax 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 or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 INCOME TAXES (CONT'D)

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 future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are 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 the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

4.11 CASH AND CASH EQUIVALENTS

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

4.12 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are recognised in profit or loss and included in the development costs, where applicable, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the development costs, where applicable, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:-
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 REVENUE AND OTHER INCOME

(a) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of sales tax, returns and trade discounts.

(b) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(c) Licensing Software

Revenue is recognised when the right to use the software is granted to the buyers.

(d) Revenue from Support Maintenance Services

Revenue from support maintenance services is recognised on the provision of software licensing maintenance and product enhancement services.

(e) Interest Income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012****5. INVESTMENT IN A SUBSIDIARY**

	2012 RM	2011 RM
Unquoted shares, at cost	2	-

Details of the subsidiary are as follows:-

Name	Country of Incorporation	Effective Equity Interest		Principal Activity
		2012 (%)	2011 (%)	
Iseentric Wireless Sdn. Bhd. #	Malaysia	100	-	Dormant.

*Not audited by Messrs. Crowe Horwath.***6. PROPERTY AND EQUIPMENT**

THE GROUP/ THE COMPANY	At 1.1.2012 RM	Additions RM	Disposal RM	Depreciation charge RM	At 31.12.2012 RM
Net book value					
Office equipment	20,266	10,488	-	(9,465)	21,289
Computer equipment	111,108	53,619	(733)	(66,327)	97,667
	131,374	64,107	(733)	(75,792)	118,956

THE COMPANY	At 1.1.2011 RM	Additions RM	Depreciation charge RM	At 31.12.2011 RM
Net book value				
Office equipment	24,451	5,109	(9,294)	20,266
Computer equipment	76,445	100,021	(65,358)	111,108
	100,896	105,130	(74,652)	131,374

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6. PROPERTY AND EQUIPMENT (CONT'D)

THE GROUP/THE COMPANY At 31.12.2012	At cost RM	Accumulated depreciation RM	Net book value RM
Office equipment	124,395	(103,106)	21,289
Computer equipment	488,393	(390,726)	97,667
Motor vehicles	79,443	(79,443)	-
Renovation	20,729	(20,729)	-
	<u>712,960</u>	<u>(594,004)</u>	<u>118,956</u>
THE COMPANY At 31.12.2011			
Office equipment	113,907	(93,641)	20,266
Computer equipment	435,873	(324,765)	111,108
Motor vehicles	79,443	(79,443)	-
Renovation	20,729	(20,729)	-
	<u>649,952</u>	<u>(518,578)</u>	<u>131,374</u>

7. DEVELOPMENT EXPENDITURE

	THE GROUP/ THE COMPANY 2012 RM	THE COMPANY 2011 RM
At cost:		
Balance brought forward	795,196	692,258
Additions during the financial year	155,817	102,938
Accumulated amortisation	<u>(812,823)</u>	<u>(674,112)</u>
Balance carried forward	<u>138,190</u>	<u>121,084</u>
Accumulated amortisation:		
At 1 January	(674,112)	(534,909)
Amortisation during the financial year	<u>(138,711)</u>	<u>(139,203)</u>
At 31 December	<u>(812,823)</u>	<u>(674,112)</u>

Development expenditure of the Group and of the Company represents direct expenditure and related overheads incurred for the development of mobile solution software and enhancement of existing software products.

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7. DEVELOPMENT EXPENDITURE (CONT'D)

Included in the development expenditure incurred for the financial year is the following expense:-

	THE GROUP/ THE COMPANY 2012 RM	THE COMPANY 2011 RM
Staff costs	155,817	102,938

8. TRADE RECEIVABLES

	THE GROUP/ THE COMPANY 2012 RM	THE COMPANY 2011 RM
Trade receivables	6,417,564	4,493,210
Impairment loss	-	(29,516)
	<u>6,417,564</u>	<u>4,463,694</u>
Impairment loss:-		
At 1 January	(29,516)	(29,516)
Writeback during the financial year	20,140	-
Writeoff during the financial year	9,376	-
At 31 December	<u>-</u>	<u>(29,516)</u>

Included in trade receivables of the Group and of the Company is an amount of RM158,000 (2011 - RM52,490) owing by a company in which the directors of the Company have substantial financial interests.

The normal credit terms granted by the Group and the Company range from 30 to 90 days (2011 - 30 to 90 days).

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9. OTHER RECEIVABLES AND DEPOSITS

	THE GROUP 2012 RM	THE COMPANY 2012 RM	2011 RM
Other receivables	589,742	589,100	41,786
Deposits	53,236	53,236	36,631
	<u>642,978</u>	<u>642,336</u>	<u>78,417</u>

Included in other receivables of the Company in the previous financial year was an amount of RM1,593 owing by a company in which the directors of the Company have substantial financial interests. The amount owing was non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

10. FIXED DEPOSITS WITH LICENSED BANKS

In the previous financial year, the weighted effective interest rate per annum of the fixed deposits at the end of the reporting period was 3.05% per annum. The fixed deposits had a maturity period of 30 days.

11. SHARE CAPITAL

	2012 Number of shares	2011	2012 RM	2011 RM
ORDINARY SHARES OF RM1 EACH:-				
AUTHORISED	800,000	800,000	800,000	800,000
ISSUED AND FULLY PAID-UP	100,000	100,000	100,000	100,000

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12. RETAINED PROFITS

Subject to the agreement of the tax authorities, at the end of the reporting period, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax-exempt income to frank the payment of dividends out of its entire retained profits without incurring additional tax liabilities.

At the end of the reporting period, the Company has not elected for the single tier tax system. When the tax credit balance is fully utilised, or by 31 December 2013 at the latest, the Company will automatically move to the single tier tax system. Under the single tier tax system, tax on the Company's profits is a final tax, and dividends distributed to the shareholders will be exempted from tax.

13. DEFERRED TAX LIABILITIES

	THE GROUP/ THE COMPANY 2012 RM	THE COMPANY 2011 RM
At 1 January	31,780	31,780
Recognised in profit or loss (Note 18)	(31,780)	-
At 31 December	-	31,780

Deferred tax asset and liabilities are attributable to the following items:-

	THE GROUP/ THE COMPANY 2012 RM	THE COMPANY 2011 RM
Deferred tax liabilities:-		
Accelerated capital allowances	-	9,180
Development expenditure	-	30,000
	-	39,180
Deferred tax asset:-		
Other temporary differences	-	(7,400)
	-	31,780

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14. TRADE PAYABLES

The normal credit terms granted to the Group and to the Company range from 30 to 90 days (2011 - 30 to 90 days).

Included in trade payables of the Company was an amount of RM10,886 (2011 - RM18,558) owing to a company in which a director of the Company has substantial financial interests.

15. OTHER PAYABLES AND ACCRUALS

	THE GROUP 2012 RM	THE COMPANY 2012 RM	2011 RM
Other payables	17,010	17,010	3,379
Accruals	202,304	199,628	45,187
Dividend payable	400,000	400,000	-
	<u>619,314</u>	<u>616,638</u>	<u>48,566</u>

16. REVENUE

	THE GROUP/THE COMPANY 2012 RM	THE COMPANY 2011 RM
Software licensing	828,626	1,801,823
Mobile applications and services	14,733,722	16,808,984
Maintenance and enhancement	428,789	375,973
Outsourcing	1,525,480	1,157,604
	<u>17,516,617</u>	<u>20,144,384</u>

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17. PROFIT BEFORE TAXATION

	THE GROUP 2012 RM	THE COMPANY 2012 RM	2011 RM
Profit before taxation is arrived at after charging/(crediting):-			
Amortisation of development expenditure	138,711	138,711	139,203
Audit fee	16,300	16,000	13,000
Bad debts written off	-	-	183,165
Depreciation of property and equipment	75,792	75,792	74,652
Director's non-fee emoluments:			
- salary	252,000	252,000	168,000
- defined contribution plan	31,480	31,480	21,400
Rental of premises	72,405	72,405	50,967
Staff costs:			
- salaries, wages, bonuses	949,500	949,500	706,300
- defined contribution plan	126,349	126,349	88,021
Bad debts recovered	(28,770)	(28,770)	-
Writeback of impairment loss on trade receivables	(20,140)	(20,140)	-
Interest income	(25,820)	(25,820)	(24,945)
Gain on disposal of equipment	(5,367)	(5,367)	-

18. INCOME TAX EXPENSE

	THE GROUP 2012 RM	THE COMPANY 2012 RM	2011 RM
Current tax expense:-			
- for the financial year	5,164	5,164	6,904
- (over)/underprovision in the previous financial year	(1,381)	(1,381)	5,907
	3,783	3,783	12,811
Deferred tax expense (Note 13):-			
- for the financial year	(31,780)	(31,780)	-
	(27,997)	(27,997)	12,811

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18. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Company is as follows:-

	THE GROUP 2012 RM	THE COMPANY 2012 RM	2011 RM
Profit before taxation	2,979,815	2,981,101	2,492,102
Tax at the statutory tax rate of 25%	744,954	745,275	623,026
Tax effects of:-			
Non-taxable income	(864,416)	(864,416)	(730,278)
Non-deductible expenses	92,846	92,525	114,156
(Over)/Underprovision of current tax in the previous financial year	(1,381)	(1,381)	5,907
Income tax expense for the financial year	(27,997)	(27,997)	12,811

The Company has been granted the MSC Malaysia Status, which qualifies the Company for the Pioneer Status Incentive under the Promotion of Investment Act, 1986. The Company enjoys full exemption from income tax on its statutory income from its pioneer activities for 5 years, from 1 July 2009 to 30 June 2014.

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19. ACQUISITION OF A SUBSIDIARY

On 15 August 2012, the Company acquired a 100% equity interest in Isentric Wireless Sdn. Bhd. for a total cash consideration of RM2.

The fair values of the identifiable assets and liabilities of Isentric Wireless Sdn. Bhd. at the date of acquisition were as follows:-

	Carrying Amount RM	At Date Of Acquisition Fair Value Adjustment RM	Fair Value Recognised RM
Cash and cash equivalents	762	-	762
Trade payables and accruals	(760)	-	(760)
Net identifiable assets	2	-	2
Less: Total purchase consideration			(2)
Total purchase consideration			(2)
Add: Cash and cash equivalents of the subsidiary acquired			762
Net cash inflow for acquisition of the subsidiary			760

The acquired subsidiary has contributed the following results to the Group:-

	2012 RM
Loss after taxation	1,286

No effect on the Group's profit after taxation if the acquisition had taken place at the beginning of the financial year.

The acquisition of Isentric Wireless Sdn. Bhd. was due to the group restructuring.

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20. DIVIDENDS

	THE GROUP 2012 RM	THE COMPANY 2012 RM	2011 RM
Paid:-			
First tax-exempt interim dividend of			
- RM26.00 per ordinary share in respect of financial year ended 31 December 2012	2,600,000	2,600,000	-
- RM12.00 per ordinary share in respect of financial year ended 31 December 2011	-	-	1,200,000
Second tax exempt interim dividend of RM12.00 per ordinary share in respect of financial year ended 31 December 2011	-	-	1,200,000
	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,400,000</u>
Payable:-			
Second tax-exempt interim dividend of RM4.00 per ordinary share in respect of financial year ended 31 December 2012	400,000	400,000	-
	<u>3,000,000</u>	<u>3,000,000</u>	<u>2,400,000</u>

21. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	THE GROUP 2012 RM	THE COMPANY 2012 RM	2011 RM
Fixed deposits with licensed banks (Note 10)	-	-	1,014,758
Cash and bank balances	526,446	525,696	228,356
	<u>526,446</u>	<u>525,696</u>	<u>1,243,114</u>

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22. RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Company has related party relationships with:-

- (i) a close member of the family of a director;
- (ii) an entity controlled by certain key management personnel, directors and/or substantial shareholders; and
- (iii) the directors who are the key management personnel.

(b) In addition to the information detailed elsewhere in the financial statements, the Company carried out the following significant transactions with the related parties during the financial year:-

	THE GROUP 2012 RM	THE COMPANY 2012 RM	2011 RM
Office rental expenses paid/payable to a related party	58,800	58,800	37,200
Purchases paid/payable to a related party	35,462	35,462	75,167
Sales received/receivable from a related party	(88,976)	(88,976)	(369,595)

(c) Key management personnel compensation

	THE GROUP 2012 RM	THE COMPANY 2012 RM	2011 RM
Short-term employee benefits			
- salaries	252,000	252,000	168,000
- defined contribution plan	31,480	31,480	21,400

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23. FINANCIAL INSTRUMENTS

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's business whilst managing its market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies in respect of the major areas of treasury activity are as follow:-

23.1 FINANCIAL RISK MANAGEMENT POLICIES

(a) Market Risk

(i) Foreign Currency Risk

The Group does not have any transactions or balances denominated in foreign currencies and hence is not exposed to foreign currency risk.

(ii) Interest Rate Risk

The Group does not have any interest-bearing borrowings and hence is not exposed to interest rate risk. Any surplus funds of the Company will be placed with licensed financial institutions to generate income.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

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23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(i) Credit risk concentration profile

As at the end of the reporting period, the Group has significant concentration of credit risk related to the amounts owing by two (2) customers which constituted approximately 62% of its total receivables.

(ii) Ageing analysis

The ageing analysis of the Group and the Company trade receivables at the end of the reporting period is as follows:-

	Gross Amount RM	Individual Impairment RM	Carrying Value RM
2012			
Not past due	4,351,707	-	4,351,707
- less than 3 months	1,198,030	-	1,198,030
- 3 to 6 months	551,292	-	551,292
- over 6 months	316,535	-	316,535
	<u>6,417,564</u>	<u>-</u>	<u>6,417,564</u>
2011			
Not past due	3,851,021	-	3,851,021
- less than 3 months	155,323	-	155,323
- 3 to 6 months	58,480	-	58,480
- over 6 months	428,386	(29,516)	398,870
	<u>4,493,210</u>	<u>(29,516)</u>	<u>4,463,694</u>

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

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23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Ageing analysis (Cont'd)

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Company. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and adequate working capital to meet its obligations as and when they fall due.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed based on the rate at the end of the reporting period):-

	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM
THE GROUP 2012			
Trade payables	3,737,048	3,737,048	3,737,048
Other payables and accruals	619,314	619,314	619,314
	<u>4,356,362</u>	<u>4,356,362</u>	<u>4,356,362</u>

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23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM
THE COMPANY			
2012			
Trade payables	3,737,048	3,737,048	3,737,048
Other payables and accruals	616,638	616,638	616,638
	<u>4,353,686</u>	<u>4,353,686</u>	<u>4,353,686</u>
2011			
Trade payables	2,473,834	2,473,834	2,473,834
Other payables and accruals	48,566	48,566	48,566
	<u>2,522,400</u>	<u>2,522,400</u>	<u>2,522,400</u>

23.2 CAPITAL RISK MANAGEMENT

The Group manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. Net debt is calculated as bank borrowings less cash and cash equivalents. As the Group has no external bank borrowings as at the end of the reporting period, the debt-to-equity ratio is not presented.

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23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	THE GROUP 2012 RM	THE COMPANY 2012 RM	2011 RM
Financial Assets			
<u>Loans and receivables financial assets</u>			
Trade receivables	6,417,564	6,417,564	4,463,694
Other receivables and deposits	642,978	642,336	78,417
Fixed deposits with licensed banks	-	-	1,014,758
Cash and bank balances	526,446	525,696	228,356
	<u>7,586,988</u>	<u>7,585,596</u>	<u>5,785,225</u>
Financial Liabilities			
<u>Other financial liabilities</u>			
Trade payables	3,737,048	3,737,048	2,473,834
Other payables and accruals	619,314	616,638	48,566
	<u>4,356,362</u>	<u>4,353,686</u>	<u>2,522,400</u>

23.4 FAIR VALUES OF FINANCIAL INSTRUMENTS

The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

23.5 FAIR VALUE HIERARCHY

As at 31 December 2012, there were no financial instruments carried at fair values.

24. COMPARATIVE FIGURES

No comparative figures of the Group are available as this is the first set of consolidated financial statements prepared by the Company.