Annual Report 2012

wireless

M N C Wireless Berhad
(635884-T)

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Tan Sri Datuk Seri Panglima Abdul Kadir Bin
Haji Sheikh Fadzir
Chairman, Independent
Non-Executive Director

Datuk Lee Fook Long
Non-Independent
Non-Executive Director

Lionel Koh Kok Peng
Non-Independent
Non-Executive Director

Lew Weng Ho
Independent
Non-Executive Director

Lee Kam Chun
Independent
Non-Executive Director

Sasha Lee Wyne
Executive Director,
Acting Chief Executive Officer

AUDIT COMMITTEE

Lew Weng Ho
Chairman, Independent
Non-Executive Director

Lee Kam Chun
Independent
Non-Executive Director

Lionel Koh Kok Peng
Non-Independent
Non-Executive Director

COMPANY SECRETARIES

Mah Li Chen
(MAICSA 7022751)

Cynthia Gloria Louis
(MAICSA 7008306)

Chew Mei Ling
(MAICSA 7019175)

REGISTERED OFFICE

Unit 621, 6th Floor, Block A,
Kelana Centre Point, No. 3,
Jalan SS7/19, Kelana Jaya,
47301 Petaling Jaya,
Selangor Darul Ehsan
T +603 7880 9699
F +603 7880 8699

HEAD OFFICE, PRINCIPAL PLACE OF BUSINESS AND R&D CENTRE

A-3-3, Block A, Jaya One,
No 72A, Jalan University,
46200 Petaling Jaya,
Selangor Darul Ehsan.
T +603 7955 9448
F +603 7955 9148
E info@mnc.com.my
W www.mnc.com.my

SHARE REGISTRAR

Symphony Share
Registrars Sdn Bhd
Level 6, Symphony House
Block D13,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan.
T +603 7841 8000
F +603 7841 8151/8152

PRINCIPAL BANKER

CIMB Bank Berhad
83 Medan Setia 1
Plaza Damansara
Bukit Damansara
50490 Kuala Lumpur
T +603 2087 3000
F +603 2710 2840

AUDITORS

Crowe Horwath
Chartered Accountant
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
T +603 2166 0000
F +603 2166 1000

STOCK EXCHANGE

ACE Market of Bursa Malaysia
Securities Berhad

Stock Name: MNC
Stock Code: 0103

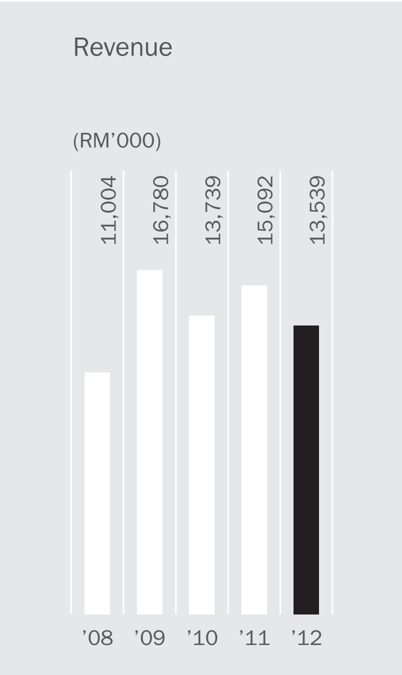
Corporate Structure

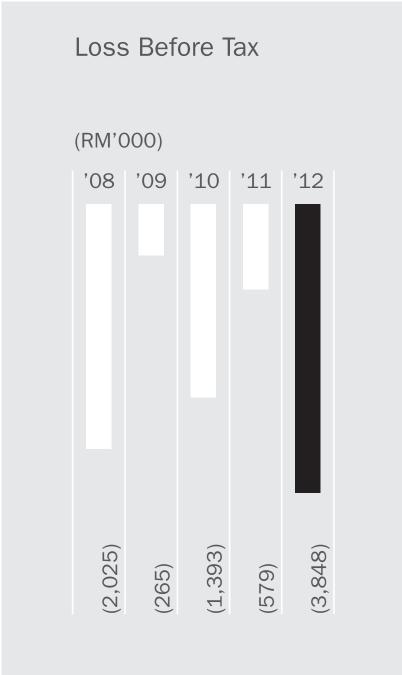
MNC wireless

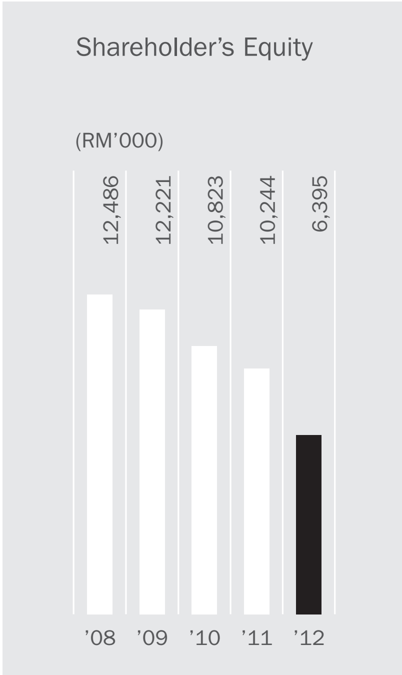
The public listed entity with technology, R&D, Product innovation, development & distribution centre

Digital Kung-Fu Sdn Bhd	Moblife.TV Sdn Bhd	WOWLOUD Sdn Bhd	Joors Asia Sdn Bhd
(Digital media agency)	(Marketing, Administration and Consulting arm for the Group)	(Music Streaming Subscription Service)	(Dormant)
100%	100%	100%	100%

Group Financial Review







	2008	2009	2010	2011	2012
Revenue (RM'000)	11,004	16,780	13,739	15,092	13,539
Loss Before Tax (RM'000)	(2,025)	(265)	(1,393)	(579)	(3,848)
Shareholder's Equity (RM'000)	12,486	12,221	10,823	10,244	6,395
Net Asset per share (sen)	13.2	12.9	11.5	10.8	6.8
Loss per share (sen)	(2.14)	(0.28)	(1.48)	(0.61)	(4.07)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of M N C WIRELESS BERHAD ("Company") will be held at Rafflesia 2, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 30 May 2013 at 9.30 a.m. for the following purposes:-

As Ordinary Business

1. To receive the audited financial statements together with the reports of the Directors and Auditors for the year ended 31 December 2012.

2. To re-elect the following Directors who are retiring under Article 92 of the Company's Articles of Association:-

   i. Datuk Lee Fook Long; and **(Resolution 1)**
   ii. Mr Lee Kam Chun **(Resolution 2)**

3. To consider and if thought fit, to pass the following Ordinary Resolution in accordance with Section 129 (6) of the Companies Act, 1965:- **(Resolution 3)**

   "THAT Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, retiring pursuant to Section 129 (6) of the Companies Act, 1965, be and is hereby re-appointed Director of the Company to hold office until the next Annual General Meeting."

4. To approve the Directors' fees amounting to RM24,000.00 for the financial year ended 31 December 2012. **(Resolution 4)**

5. To re-appoint Messrs Crowe Horwath, as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

As Special Business

6. To consider and if thought fit, pass the following ordinary and special resolutions:-

   ORDINARY RESOLUTION I **(Resolution 6)**
   AUTHORITY TO ISSUE SHARES

   "**THAT** subject always to the Companies Act, 1965 and the approvals of the regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company, at any time 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 issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being 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 on the Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company."

ORDINARY RESOLUTION II
PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR ADDITIONAL RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPTs") **(Resolution 7)**

"THAT approval be and is hereby given to MNC Wireless Berhad and its subsidiaries ("MNC Group") to enter into RRPTs with related parties, as set out in Section 2.3 (a) and 2.3 (b) of the Circular to Shareholders dated 6 May 2013 ("the Circular"), which are necessary for the MNC Group's day-to-day operations subject to the following:-

(i) the transactions are in the ordinary course of business and are on normal commercial terms not more favourable to the related parties than those generally available to the public and not detrimental to minority shareholders of the Company; and

(ii) disclosure is made in the annual report on the breakdown of aggregate value of the transactions conducted pursuant to the shareholders' mandate during the financial year based on the following information:-

   (a) the type of the recurrent transactions made; and
   (b) the names of the related parties involved in each type of the recurrent transaction made and their relationship with the Company.

THAT such approval shall continue to be in force until :-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which time it will lapse, unless by a resolution passed at the general meeting, such authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by a resolution passed by the shareholders at a general meeting,

whichever is the earlier.

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

SPECIAL RESOLUTION I
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY ("PROPOSED AMENDMENTS") **(Resolution 8)**

"THAT the Articles of Association of the Company be and are hereby amended in the form and manner as set out in Appendix II attached to the Circular to Shareholders dated 6 May 2013;

AND THAT The Board of Directors of the Company be and is hereby authorised to do all such acts and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities."

7. To transact any other ordinary business for which due notice shall have been given.

By Order of the Board,

MAH LI CHEN (MAICSA 7022751)
CYNTHIA GLORIA LOUIS (MAICSA 7008306)
CHEW MEI LING (MAICSA 7019175)
Company Secretaries

6 May 2013
Kuala Lumpur

Notes:-

Appointment of Proxy

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 23 May 2013 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this Ninth Annual General Meeting.

2. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

3. A member may appoint up to three (3) proxies to attend at the same meeting. Where a member appoints more than one (1) proxy, the proxies shall not be valid unless the member specifies the proportions of his holdings to be represented by each proxy.

4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

5. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointer is a corporation, under its common seal or under the hand of its attorney duly authorised.

6. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office at Unit 621, 6th Floor, Block A, Kelana Centre Point, No. 3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.

Explanatory Notes:-

1. **Authority to allot shares under Section 132D (Resolution 6)**

   The Directors did not issue any new share pursuant to the previous mandate.

   The proposed Resolution 6, if passed, is to renew the mandate to the Directors of the Company, from the date of the forthcoming AGM, to allot and issue ordinary shares up to an aggregate of not exceeding 10% of the issued share capital of the Company for the time being from the unissued capital of the Company pursuant to Section 132D of the Companies Act, 1965 and that such an authority, unless revoked or varied at a general meeting, will expire at the next AGM.

   The mandate, if given, will empower the Directors to issue shares for such purposes as the Directors deem fit and proper and in the interests of the Company, including but not limiting to some fund raising activities such as placement of shares and/or funding for investment activities and/or acquisitions of assets and/or working capital.

2. **Proposed Renewal of the existing Shareholders' Mandate and Proposed New Shareholders' Mandate for additional RRPTs (Resolution 7)**

   The proposed Resolution 7, if approved, will allow M N C Group to enter into RRPTs pursuant to Rule 10.09 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. Further information on the Proposed Renewal of the existing Shareholders' Mandate and Proposed New Shareholders' Mandate for additional Recurrent RRPTs is set out in the Circular to Shareholders of the Company dated 6 May 2013 which is dispatched together with the Company's 2012 Annual Report.

3. **Proposed Amendments to the Articles of Association of the Company ("Proposed Amendments") (Resolution 8)**

   The proposed Resolution 8, if passed, will enable the Company to amend the Articles of Association to be in line with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

Statement Accompanying

Notice of Annual General Meeting

1. Directors who are standing for re-election at the Ninth Annual General Meeting of the Company

   i. The Directors retiring by rotation pursuant to Article 92 of the Company's Articles of Association and seeking re-election are:-

      – Datuk Lee Fook Long **(Resolution 1)**
      – Mr Lee Kam Chun **(Resolution 2)**

   ii. The Director who is over the age of seventy years and seeking re-appointment pursuant to Section 129(6) of the Companies Act, 1965 is:-

      – Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir. **(Resolution 3)**

2. Further details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 10 to 13 of the Annual Report.

Directors' Profile

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir

Chairman and Independent Non-Executive Director
Malaysian, Age 74

Tan Sri Datuk Seri Kadir was appointed to the board as the Independent Non-Executive Chairman on 3 March 2006. He was a practising lawyer and a prominent politician in Malaysia that has served the Federal Government for more than 30 years. His involvement in the Federal Government service began in 1970 where he had held the position of political secretary, parliamentary secretary, deputy minister and minister in various ministries. He was holding the position of Minister of Information prior to his resignation from the Cabinet in 2006. Prior to that he was the Minister of Culture, Arts and Tourism from 1999 to 2004 where he was also the Chairman of the Tourism Promotion Board Malaysia. Tan Sri Datuk Seri Kadir graduated as a Barister-at-Law from Lincoln's Inn, United Kingdom in 1970. He does not hold any directorship in other public company.

Datuk Lee Fook Long (Vincent) P.J.N

Non- Independent and Non-Executive Director
Malaysian, Age 59

Datuk Lee Fook Long was appointed to the Board as a Non-Independent and Non-Executive Director on 16 August 2005. He is the Chairman of the Nomination Committee and a member of the Remuneration Committee. A notable figure in Malaysia for his contribution in the advertising and creative industry, Datuk Lee served as the President of the Association of Advertising Agents Malaysia ("4As") from 2005 to 2011, and has been awarded honorary life president of the 4As in 2012. At present, he is the Group Executive Chairman of Foetus International, one of the largest and most diversified communications group in Malaysia and is also holding the position of Executive Deputy Chairman of the Star Publications (M) Berhad, the publisher of one of Malaysia's most widely-read English-language daily, The Star. Datuk Lee is also a director of SHH Resources Holdings Berhad, a manufacturer of high quality wood-based furniture in Malaysia.

Directors' Profile (cont'd)

Sasha Lee Wyne

Executive Director and Acting Chief Executive Officer
Malaysian, Age 29

Sasha Lee Wyne was appointed to the Board as a Non-Independent & Non Executive Director on 6 December 2011. Effective from 1 December 2012, she was re-designated to Executive Director and appointed as Acting Chief Executive Officer where she heads the overall management and is responsible for spearheading the performance progress and development of the Group. Prior to MNC Wireless Berhad, she was attached to Pricewaterhouse Coopers Advisory Services as the Assistant Manager in the Human Resource Advisory team. During her tenure there, she has worked with clients from a range of industries, providing advisory services geared towards value derivation via the alignment of the people and human resources strategy to the business strategies. She was involved in the formulation of strategy to improve human resources' effectiveness which includes integrating human resources in change or transition environments, transforming the talent management strategy and maximising an organisation's capability for innovation.

Sasha Lee graduated from University College London, United Kingdom with a Bachelor's of Science Degree in Psychology. She does not hold any directorship in other public company.

Lionel Koh Kok Peng

Non-Independent and Non-Executive Director
Malaysian, Age 51

Lionel Koh Kok Peng was appointed to the Board as a Non-Independent & Non Executive Director on 18 June 2004. He is the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Commitee. He joined Naga DDB Sdn Bhd in October 1990 and is at present, the Group Finance Director of Naga DDB Sdn Bhd. An Accounting graduate with Honours from Universiti Kebangsaan Malaysia, Lionel Koh is a member of the Malaysian Institute of Accountants and a fellow of the Malaysian Institute of Taxation. He is also a director of Rekapacific Berhad.

Directors' Profile (cont'd)

Lew Weng Ho

Independent and Non-Executive Director
Malaysian, Age 64

Lew Weng Ho was appointed to the Board as an Independent & Non Executive Director on 16 August 2005. He is the Chairman of the Audit Committee, a member of the Nomination Committee and Remuneration Committee. A fellow of the Association of Chartered Certified Accountants, United Kingdom, Mr. Lew joined Coopers & Lybrand in 1978 after completed his article-ship in Dublin, Ireland. In 1981 he took up the position of chief accountant in Antah Holdings Berhad. He was appointed to the Board of Antah as Finance Director in 1990 and also served on the board of many of its subsidiaries and associate companies until he retired in 1999. He also served as a director in the Federation of Public Listed Companies Berhad from 1997 to 2000. At present, he is a financial advisor and business consultant, providing business and personal consulting services to companies and individuals. Mr Lew is also an Independent & Non Executive Director of Star Publications (M) Berhad, a company listed on Bursa Malaysia Securities Berhad.

Lee Kam Chun

Independent and Non-Executive Director
Malaysian, Age 41

Lee Kam Chun was appointed to the Board as an Independent & Non Executive Director on 26 April 2008 and is a member of the Audit Committee. He began his career with NEC Sales (M) Sdn Bhd in 1997 and later moved on to advertising agency, Guava Interactive (M) Sdn Bhd in 2000 as Chief Operating Officer. In 2001 he joined Rapp (M) Sdn Bhd, a leading direct marketing and customer relationship management agency in Malaysia where he was holding the position as General Manager before he left in 2012 to set up his own business. Mr Lee holds a Master Degree in Information Technology from University of Warwick, United Kingdom. He does not hold any directorship in other public company.

Directors' Profile (cont'd)

Notes

Save for Ms Sasha Lee Wyne and Mr Lee Kam Chun who is the daughter and nephew of Datuk Vincent Lee Fook Long respectively, none of the other Directors of the Company have any family relationship with any Director and/or substantial shareholder of the Company.

The Directors have not been convicted for any offence within the past ten (10) years and have no conflict of interest with the Company save as disclosed under the Additional Compliance Information Disclosure on Recurrent Related Party Transactions on page 31 of this Annual Report.

The details of the Directors' shareholdings in the Company and its subsidiaries are disclosed under Directors' Shareholdings on the Analysis of Shareholdings on page 34 of this Annual Report.

The details of the Directors' attendance at board meetings are set out in the Statement of Corporate Governance of this Annual Report.

Management Discussion & Analysis

On behalf of the Board of Directors of MNC Wireless Berhad ("MNC" or "the Group"), we present to you our Annual Report and the Audited Financial Statements of the Group for the financial year ended 31 December 2012 ("FY2012").

Company's Performance

The FY2012 remains a challenging year for MNC. For the year under review, the Group recorded a total revenue of RM13.5 million, a decrease of approximately 10.3% compared to the last financial year. The reduction in revenue was mainly attributed to a decrease in overall sales from our mobile application services. Meanwhile, the Group recorded a loss before tax of RM3.8 million compared to RM0.5 million recorded in the last financial year. The difference was mainly due to the result of impairment of product development expenditure amounting to RM1.1 million recorded in the financial year under review.

Business & Operations Review

The year 2012 marks a decade of business for MNC since it started as one of the first mobile marketing companies in Malaysia. Over the years, the Group has progressed and our business has evolved from essentially mobile centric services to integrated mobile and digital services. Today the Group has excelled as a leading mobile and digital services provider that is renowned for its ability to design, deliver and implement simple as well as complex end-to-end business solutions that are customized for our clients and partners.

In the year under review, the overall SMS industry experienced a period of stifled performance due to the implementation of additional promotional restrictions imposed by the authorities. Despite the impact to the performance of our mobile application services, the Group is supportive of the action taken by the authorities and will continue to take all necessary action to adhere to the new regulations to ensure that the interests of consumers are duly protected. Taking into consideration the challenges in this segment of the business, the Group will take a more cautious approach in growing our mobile content services for consumers.

Meanwhile the Group's wireless and multimedia related services operations continued to experience new growth as more businesses see the benefits of incorporating mobile and digital platforms in their business. Being an advocate of digital innovation, MNC constantly strives to promote digital marketing as an effective channel for branding and customer engagement. In the year under review, we have allocated much of our resources to the development of various mobile and social media applications for both our internal as well as clients' projects.

Our project based digital marketing operations continued to register strong performance with the successful launch of a variety of new mobile and digital solutions intended to help our clients build brand awareness and engage with their audience. We are pleased with the support that we are getting from our existing clients who continue to come back to us for the development of mobile apps and digital campaigns. Our ability to provide a complete end-to-end service from consultancy, strategy and creative to technological development have resulted in the successful acquisition of new clients and repeat business opportunities from our existing clients.

Our enterprise based mobile messaging platform Go!SMS, which serves as a gateway for the delivery of large volume SMS messages, continues to register new revenue growth from new and existing users. For FY2012, our mobile messaging service contributed RM3.5 million to the total Group's revenue representing an increase of 13% compared to the previous year. We will continue to enhance the features and systems integration to make our Go!SMS platform a favourable choice for business communication.

The development of the Group's music streaming service, WOWLOUD is progressing well with the additions of new playlist sharing and subscription features to improve the music experience for users. WOWLOUD also serves as a platform for advertisers to use music as a marketing tool to reach their target audience. Efforts to boost the subscriber base for WOWLOUD will be focused on establishing suitable strategic partnerships with other services providers. Apart from an online streaming platform, the Group also operates its own retail and online store via Webstore. wowloud.com. The store concept is an extension of the WOWLOUD brand lifestyle, where music enthusiasts can shop for the latest and coolest audio gears.

In the area of technological development, MNC successfully designed and developed the technical platform for the world's first free high-speed mobile internet service for Swedish mobile broadband operator, IntJoors Sverige AB. The ad-supported mobile broadband service serves as a platform for digital ad-targeting and interaction, while providing consumers with a very valuable commodity which is mobile internet access. The plan to provide the same free mobile internet service model locally will require further analysis of the market's maturity level, and establishment of relationships with the right partners.

Corporate Development

On 26 April 2012, the Group incorporated two (2) new wholly owned subsidiaries under its group, namely WOWLOUD Sdn Bhd (WLSB) and Joors Asia Sdn Bhd (JASB). The intended principal activities for the incorporation of WLSB are for music streaming and its related services, while the intended principal activities for JASB are for mobile broadband and its related services. The incorporation of WLSB and JASB has no material effect on the earnings per share, net assets per share, share capital and the substantial shareholdings of the Company for the FY2012.

In line with our business expansion plans, the Group announced that it has entered into a sale and purchase agreement on 28 November 2012 for the acquisition of one (1) unit of property in Jaya One Phase 3 project for a total purchase consideration of RM1,470,800.00. The purchase of the property which is intended to be utilized for the Group's own operations is expected to generate savings in rental costs and reduce the risk of rental costs.

Finally, with effect from 31 December 2012, the Group has successfully completed the disposal of its entire investment comprising 29,250 shares representing 36% of the issued and paid up share capital of the Singapore based online mobile and gaming specialist, NexGen Studio Pte Ltd. The disposal was part of the Group's strategy to streamline its operations and to focus on investments that create synergetic value to the Group.

Outlook and Group Prospects

The past 12 months was certainly a challenging period for the Group and the outlook for the coming year indicates it will remain challenging as competitive pricing and restrictions in promotional channels continue to plague the industry. However this will not deter our efforts to steer the Group back to profitability. We are determined to face the challenges ahead by leveraging on our strengths in mobile and digital innovation to grow our wireless and multimedia related services. Ultimately, our focus for growth moving forward is to seek new market opportunities in the provision of integrated mobile and digital solutions services for enterprises.

With the high penetration of mobile phones in Malaysia and the rapid growth in the number of people assessing the internet through their mobile devices, we expect more businesses to incorporate the use of digital in their business strategy. In view of this, we will continue to step up our efforts to grow our mobile and digital services segment through aggressive client acquisition and strategic collaborations with suitable partners. While growing revenues are a priority, we are also mindful of the need to achieve operating efficiencies and prudent cost control management. We have taken steps to streamline our business operations and realign the Group's resources by utilizing robust project management methodologies for efficient resources management.

Research & Development ("R&D")

MNC believes that R&D is a key factor in ensuring its competitiveness in the industry and for continual growth. For the year under review, the Group has invested approximately RM2.2 million in R&D activities for the enhancement of existing and the development of new products and applications. We have successfully developed a media platform for effective ad-targeting in our music streaming platform. For mobile application development, in addition to the iOS and Android operating systems, we have extended the compatibility of our music streaming service onto the new BlackBerry 10 platform.

With the continuous growth of mobile web and e-commerce services, our Group will continue to upgrade and strengthen our existing platforms, and build new platforms that are able to support the latest innovations in these areas. Besides this, we are incorporating rich media into our mobile application products so that our applications work seamlessly with all the new devices.

Appreciation

On 30 November 2012, MNC announced the appointment of Ms Sasha Lee Wyne as the Acting Chief Executive Officer of MNC. Sasha Lee replaced Chung Jaan Hao, a founding member of the Company who has resigned to pursue other interests. The Group would like to take this opportunity to record a token of appreciation to Jaan Hao for his insights and contributions to the Group during his tenure.

On behalf of the Board of Directors of MNC, we would like to take this opportunity to extend our appreciation to the entire MNC team for their hard work, commitment and contribution to the Group. A sincere thank you also goes out to our valued shareholders, clients, bankers and business associates for their continuous support towards the Group. Together, MNC endeavours to deliver the best possible results to all our valued shareholders, clients and staff.

Thank you.

The Management Team of MNC Wireless Berhad

Statement of Corporate Governance

The Board is fully committed in maintaining high standards of corporate governance and the effective application of the principles and best practices as set out in the Malaysian Code of Corporate Governance 2012 (the Code) and the Listing Requirements of the ACE Market (Listing Requirements). Good corporate governance is fundamental to the Group in discharging its corporate responsibilities and accountability to preserve and enhance shareholders' value.

The Board is pleased to provide the following statement, which outlines the extent to which the principals and best practices of the Code were applied throughout the financial year ended 31 December 2012.

1. BOARD STRUCTURE, DUTIES & EFFECTIVENESS

Clear Roles & Responsibilities

The Board has overall responsibility for management oversight, setting strategic direction and promoting ethical conduct in business dealings. This includes responsibility for reviewing and adopting the Company's strategic plan, overseeing the conduct of business operations, identifying principal risk and ensuring the implementation of appropriate internal controls and risk management systems.

The Board has delegated to the Chief Executive Officer ('CEO') and his management team the day to day management of the Group. The CEO who is also an Executive Director is responsible for the management of the Group as a whole which include the development of strategy, defining the Key Performance Indicators, reviewing the performance of the business and reporting them to the Board. The Non-Executive Directors provide independent advice and sound judgment based on their skill, experience and knowledge during deliberations of the Board within and outside its Board meetings.

Board Committee

The Group has three Board Committees to assist the Board and each committee is governed by their Terms of Reference. All Board Committees consists of Non-Executive Directors and the responsibilities and functions of the Committees are set out below:

Audit Committee

The Board is assisted by an Audit Committee to, amongst others oversees the integrity of the Group's financial statements to ensure compliance with applicable financial reporting standards. The composition and key functions of the Audit Committee are presented in the Audit Committee Report on pages 23 to 26 of this Annual Report.

Nomination Committee

The Company established a Nomination Committee to identify, assess and recommend to the Board suitable nominees for appointment to the Board and Board Committees. The composition of the Nomination Committee is set out as follows:

Datuk Lee Fook Long	Chairman, Non-Independent and Non-Executive Director
Lew Weng Ho	Member, Independent and Non-Executive Director
Lionel Koh Kok Peng	Member, Non-Independent and Non-Executive Director

The primary functions of the Nomination Committee are as follows:

- to identify candidates and review all nominations for the appointment or re-appointment of members of the Board, and to determine the selection criteria therefor;
- to ensure that all Board appointees undergo appropriate induction programmes;
- to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary or appropriate;
- to identify the gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps; and
- to assess the effectiveness of the Board as a whole.

Remuneration Committee

The Remuneration Committee which was established to assist the Board in establishing formal and transparent remuneration policies and procedures comprises the following members:

Lionel Koh Kok Peng	Chairman, Non-Independent and Non-Executive Director
Datuk Lee Fook Long	Member, Non-Independent and Non-Executive Director
Lew Weng Ho	Member, Independent Non-Executive Director

The responsibilities of the Remuneration Committee include the following:

- to seek comparative information on remuneration and conditions of services in comparable organizations;
- to review directors' fees to ensure that they are at sufficiently competitive levels;
- to consider severance payments that represent public interest and avoid any inappropriate use of public funds;
- to recommend and advise the Board on the terms of appointment and remuneration of its members; and
- to establish a formal and transparent procedure for developing policy on remuneration packages of individual directors.

Board Meetings

Board meetings are held quarterly with additional meetings held as and when the need arises. There were five (5) Board meetings held during the financial year ended 31 December 2012.

The meeting attendance record of the Directors is as follows:

Directors	Meeting Attendance
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	5/5
Datuk Lee Fook Long	4/5
Lionel Koh Kok Peng	5/5
Sasha Lee Wyne	5/5
Lew Weng Ho	5/5
Lee Kam Chun	5/5
Chung Jaan Hao (Resigned w.e.f 1 December 2012)	5/5

Access to Information and Advice

All Directors have unrestricted access to all information pertaining to the Group. Notice of meetings, setting out the agenda and accompanied by the relevant Board papers are given to the Directors on a timely manner to enable the Directors to peruse, obtain addition information and/or seek further clarification on the matters to be tabled at a meeting.

The proceedings and resolutions passed at each Board meeting are minuted and kept in the statutory minute book at the registered office of the Company.

In furtherance of their duties, whenever independent professional advice is required by the Directors, external experts may be engaged at the Company's expense. Directors also have direct access to the advice and the services of a qualified and competent Company Secretary of the Group. The Board is advised and updated on the statutory and regulatory requirements pertaining to their duties and responsibilities from time to time.

2. STRENGTHEN COMPOSITION

Annual Assessment of Directors

The Nomination Committee carries out the evaluation process annually for accessing the effectiveness of the Board as a whole and for accessing the contribution of each individual Director. The Directors complete a questionnaire regarding the effectiveness of the Board and an assessment of their own performance. The assessment and comments by all Directors are summarized and discussed at the Nomination Committee meeting and reported at a Board Meeting.

For the financial year ended 31 December 2012, the Nomination Committee had reviewed the assessment and evaluation results and was satisfied that all the Directors and Board Committees had discharged their responsibilities in a commendable manner and had performed competently and effectively.

Appointment to the Board and Re-election

In accordance with the Company's Articles of Association, at least one third (1/3) of the Board shall retire from office and all Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election. A retiring director shall retain office until the close of the meeting at which he/she retires.

Directors over the age of seventy (70) years are required to submit themselves for re-appointment annually in accordance with Section 129 of the Companies Act, 1965.

The Board currently has one (1) female representation which is below the recommended 30%. The Board aims to appoint additional female representation on the Board as soon as practicable in order to reach at least 30% female representation on the Board.

Remuneration Policies & Procedures

Fair remuneration is critical to attract, retain and motivate directors. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendation of the Committee. The Executive Directors play no part in determining their own remuneration whilst the Non-Executive Directors abstain from discussion on their own directors' fees.

The details of the Directors' remuneration for the financial year ended 31 December 2012 are as follows:

	Executive Directors RM	Non-Executive Directors RM
Fees	–	24,000
Salaries, allowances and bonus	381,208	–
Defined contribution scheme	36,208	–
	417,416	24,000

The numbers of Directors whose remuneration fall into the following bands are as follows:

	Number of Directors	
Range of remuneration	**Executive**	**Non-Executive**
RM0 – RM50,000	–	1
RM50,001 – RM100,000	–	–
RM100,001 – RM150,000	–	–
RM150,001 – RM200,000	–	–
RM200,001 – RM250,000	–	–
RM250,001 – RM500,000	1	–
	1	1

3. REINFORCE INDEPENDENCE

Assessment of Independent Directors

The Nomination Committee reviews and carries out an evaluation of the performance of the Independent Directors annually and is satisfied that they are able to discharge their responsibilities in an independent manner. The Independent Directors have also declared their independence of the Board and the Management of the Group to the Board at a Board Meeting during the year. None of the current independent board members had served as a director for more than nine (9) years. Should the tenure of an Independent Director exceed nine (9) years, shareholders approval will be sought at a General Meeting or the director concerned will be re-designated as a Non-Independent Director.

Board Balance & Composition

The Board currently consists of six (6) members, comprising one (1) Executive Director, three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. The members of the Board have been selected based on their skills, knowledge and their ability to add strength to the leadership. The current composition is a balance mix of skills, experience and knowledge essential in the capable management and leadership of the Company. Profile of each Director is set out under Directors' Profile of this Annual Report.

The Chairman of the Board and the CEO are held by different individuals. The Chairman who is an Independent Non-Executive member of the Board is primarily responsible for the proper conduct and maintenance of order of meetings of the Board and the members at general meetings. The CEO is directly involved in the day-to-day management, administration and operations of the Group as a whole.

4. FOSTER COMMITMENT

In accordance with the Listing Requirements, each member of the Board holds not more than five (5) directorships in public listed companies. This ensures that their commitment, resources and time are focused on the affairs of the Group, thereby enabling them to discharge their duties effectively.

Continuing Education Programmes

Directors are encouraged to attend continuous education programmes and seminars to keep abreast of relevant changes in regulations and the development in the industry. For the year under review, all the Directors have attended a training organized by Rockwills Advisory Services Sdn Bhd on Wealth and Business Succession on 28 August 2012. In addition, Ms Sasha Lee Wyne has attended a workshop by Sledgehammer Communications on Social Content Marketing on 18 June 2012.

All Directors of the Company have attended and completed the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities"). The Directors will continue to participate in other relevant training programmes to further enhance their knowledge to enable them to discharge their responsibilities more effectively.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board is accountable to ensure that the financial statements are prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to present a balanced and fair assessment of the Group's financial position and prospects. Quarterly financial results and annual financial statements are reviewed and deliberated upon by the Audit Committee to ensure the quality of financial reporting before presenting to the Board for its approval. The Audit Committee also reviews the appropriateness of the Company's accounting policies and the changes to these policies.

Relationship with Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's auditors, in seeking professional advice and ensuring compliance with the applicable accounting standards and statutory requirements in Malaysia. The Audit Committee recommends to the Board on the appointment of the external auditors which is subject to the approval of shareholders in a general meeting whilst their remuneration is determined by the Board.

6. RECOGNISE AND MANAGE RISK

The Board acknowledges its overall responsibilities for maintaining a sound system of internal control and risk management process to safeguard shareholders' investment and Group's assets. The risk management framework and internal audit functions are disclosed under the Statement on Risk Management & Internal Control on pages 27 to 29 of this Annual Report.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board recognises the importance of keeping shareholders and investors informed of the Group's business and corporate development. Towards this end, the Board endeavours to make timely disclosure of circulars, quarterly financial results, press release and various announcements on material corporate proposals to Bursa Securities. Market sensitive information such as financial results and other material information about the Group will not be given to any external parties without first making an official announcement to Bursa Securities for public release.

Information on the Group's activities is provided in the Annual Report and Financial Statements which are dispatched to shareholders. The Group also encourages all shareholders and investors to access the Annual Report and announcements online, which are made available at the Bursa Securities website as well as on its interactive website at www.mnc.com.my. There is continuous effort to ensure that the information on the website remains current, updated and relevant to investors.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. The Board therefore, encourages shareholders to attend and participate in the AGM to raise questions pertaining to issues in the Annual Report, corporate developments in the Group, the resolutions being proposed and the business of the Group at the AGM.

Where Extraordinary General Meeting is held to obtain shareholders' approval on business or corporate proposals, comprehensive circulars to shareholders are sent within prescribed notice period in accordance with the regulatory and statutory provisions. When possible, the Group takes steps to serve notices for its general meetings earlier than the minimum notice period to encourage shareholders participation at its AGM.

STATEMENT ON COMPLIANCE WITH BEST PRACTICES OF THE CODE

Apart from the composition of the Nomination Committee, the Board considers that the Group has substantially complied with the Best Practices as set out in the Code and Listing Requirements for the financial year ended 31 December 2012.

This statement is made at the Board of Directors' Meeting held on 11 April 2013.

Audit Committee Report

The Board of Directors of MNC Wireless Berhad (the Board) is pleased to present the report of the Audit Committee for the financial year 2012.

TERMS OF REFERENCE

Objective

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to the corporate governance, system of internal controls, risk management processes and financial reporting practices of the Group.

Composition

The Audit Committee comprises three (3) non-executive directors, majority of whom are independent, including the Chairman. All members of the Audit Committee are financially literate and at least one (1) member shall be a professional or qualified accountant. Where the composition of the Audit Committee is reduced to less than three (3) members for any reason whatsoever, the Board shall within three (3) months, appoint such number of new members as may be required to make up the minimum number of three (3) members.

Meetings

The Audit Committee met five (5) times during the financial year ended 31 December 2012 and details of the members and attendance at meetings are set out below:

Directors	Meeting Attendance
Lew Weng Ho (Chairman/ Independent Non-Executive Director)	5/5
Lee Kam Chun (Member/ Independent Non-Executive Director)	5/5
Lionel Koh Kok Peng (Member/ Non-Independent Non-Executive Director)	5/5

The external auditors attended four (4) Audit Committee meetings in 2012 to present the auditors' report on the annual audited financial statements for 2011 and the unaudited quarterly financial statements. The Audit Committee met with the external auditors separately, without the presence of the Executive Director and management to make enquiries on any non compliance disclosure encountered by the external auditors during their audit.

Authority

The Audit Committee is authorised by the Board of Directors to investigate any activity within its terms of reference. It has full, free and unrestricted access to all information and documents it requires from all employees the group for the purpose of discharging its function and responsibilities. The Audit Committee have direct communication channels with the external auditors and person(s) carrying out the internal audit functions or activities, and to obtain outside legal or other independent professional advice, as it considers necessary.

Duties & Responsibilities

The key functions, roles and responsibilities of the Audit Committee are as follows:-

(a) To review with the external auditors on:
- the audit plan, its scope and nature;
- the audit report;
- the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
- the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.

(b) To review the adequacy of the scope, functions and resources and set the standards of the internal audit function.

(c) To recommend such measures as to be taken by the Board of Directors on the effectiveness of the system of internal control and risk management practices of the Group.

(d) To review 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) To review with management:

- audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
- interim financial information; and
- the assistance given by the officers of the Company to external auditors.

(f) To discuss problems and reservations arising from interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary).

(g) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the annual report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(h) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:

- changes in or implementation of major accounting policy and practices;
- significant and / or unusual matters arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

(i) To consider the appointment and / or re-appointment of auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors to the board.

(j) To review the overall risk profile of the Group.

SUMMARY OF ACTIVITIES

Since the date last report, the principal activities of the Audit Committee were as follows:-

Financial Reporting

(a) Reviewed the unaudited quarterly results of the Group before recommending to the Board of Directors for their approval and release of the Group's results to Bursa Securities.

(b) Reviewed the annual audited financial statements of the Group for the financial year 2011 with the external auditors prior to submission to the Board of Directors for their approval.

Annual Statutory Reporting

Reviewed and recommended to the Board for approval the Statement of on Risk Management & Internal Control and the Audit Committee Report.

External Audit

(a) Reviewed with external auditors on their audit planning memorandum of the Group for the financial year ended 31 December 2012.

(b) Reviewed the results of the annual audit, their audit report and Management Letter, together with Management's responses to the findings of the external auditors.

(c) Reviewed the performance of the external auditors and made recommendations to the Board of Directors on their re-appointment and remuneration, subject to the approval of the Company's shareholders at its general meeting.

Internal Audit

Reviewed with the internal auditors on the internal audit report, their recommendations, the adequacy and efficiency of Management's response to these recommendations.

Related Party Transactions

Reviewed the related party transactions entered into by the Group.

INTERNAL AUDIT FUNCTION

The Board has outsourced its internal audit function to Wensen Consulting Asia (M) Sdn Bhd, a professional consulting firm, which provides support to the Audit Committee in monitoring and managing risks and internal control systems of the Group.

The main responsibilities of the internal auditors are:

- Perform audit work in accordance with the pre-approved internal audit plan;
- Carry out review on the system of internal controls of the Group;
- Review and comment on the effectiveness and adequacy of the existing control policies and procedures; and
- Provide recommendations, if any, for the improvement of the control policies and procedures.

All internal auditors' reports are deliberated by the Audit Committee and recommendations made to the Board and/or the management are acted upon.

The cost incurred for the outsourced Internal Audit Function of the Group for the financial year ended 31 December 2012 amounted to RM20,000.

REVIEW OF EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company did not have any ESOS during the financial year.

Statement on Risk Management & Internal Control

Introduction

Pursuant to Rule 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market and Statement on Risk Management & Internal Control: Guidelines for Directors of Public Listed Companies, the Board of Directors of MNC Wireless Berhad ("the Board") is pleased to present its Statement on Risk Management & Internal Control which outlines the policies, key elements and scope of risk management and internal control of the Group for the financial year under review.

Roles & Responsibilities

The Board is responsible for maintaining the adequacy and effectiveness of the Group's system of internal controls and risk management which covers financial, operations and compliance with relevant regulations, policies and procedures. This includes the establishment of an appropriate control system and risk management framework and to continually review the adequacy and effectiveness of the framework to safeguard the shareholders' interest as well as the Group's asset.

However, in view of the inherent limitations that exist in any system of internal controls, the system of internal controls and risk management within the Group is designed to manage rather than eliminate the risk of failure to meet its corporate objectives. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatements, losses or fraud.

The Group's risk management and internal control framework is an ongoing process and is established for identifying, evaluating, monitoring and managing significant risks faced by the Group throughout the financial year. This process is regularly reviewed by the Board via the Audit Committee at the quarterly Board meeting with the assistance of the outsourced internal auditors to further review and improves the existing internal control processes within the Group. The Audit Committee reviews the findings and deliberate on the key concerns and issues raised by the internal auditors prior to making the necessary recommendations to the Board to strengthen its internal control systems and policies.

The Group has outsourced its internal audit function to an independent professional consulting firm to assist the Group in achieving its objectives through systematically evaluating and improving the risk management, internal controls and corporate governance within the Group. The internal auditor provides periodic reports to the Audit Committee, reporting on issues relating to internal controls and the associated risks together with recommendations for appropriate actions to the Audit Committee. The internal auditors' responsibilities include planning and performing its internal audit activities to obtain assurance that controls implemented are adequate, relevant and in operation to manage key financial, operational and compliance risks. A summary of findings and recommendations are discussed at the Audit Committee meetings and the status of implementation of the actions agreed by Management is tracked and reported to the Audit Committee. The terms of reference for the internal audit function are clearly spelt out in the Internal Audit Charter and Internal Audit Plan approved by the Audit Committee. The internal auditor operates and performs in accordance with the principles of the Charter and is independent of the activities it audits.

The Board ensures that Management undertakes such actions as may be necessary in the implementation of the policies on risk and control approved by the Board whereby Management identifies and assesses the risks faced and then designs, implements and monitors suitable internal controls to mitigate and control these risks. The Management remains accountable to the Board to ensure that the Group's risk management and internal control system is operating adequately and effectively.

Risk Management

The Board acknowledges that the Group's business activities involve some degree of risk that may affect the achievement of its business objective and that an effective risk management process should be an integral part of the Group's daily operations.

Currently, the identification, evaluation, reporting, monitoring and reviewing of the key risks within the Group are executed by the Group's top Management team. The Audit Committee provides an independent assessment of the adequacy and reliability of the risk management. For the financial year under review, the internal auditors had carried out a review on the following processes of the Group based on the Internal Audit Plan approved by the Audit Committee:

- Human Resource Management Process
- Credit Risk Evaluations, Assessment and Management Process
- Corporate Communication Process
- Music Application Development Process
- Mobile Messaging Application Process

Exceptions and/ or improvement opportunities were then reported to the Audit Committee. No significant risks with potentially severe business impact were identified. Recommendations to enhance the effectiveness of the governance, risk management and control processes for assisting the Group in achieving its strategic, operational and compliance objectives were then developed and communicated to the Management team.

The Group will continue to focus on the key risks and corresponding controls to ensure that they are able to respond effectively to the changing business and competitive environment. The framework is continually monitored to ensure it is responsive to the changes in the business environment and clearly communicated to all levels.

Internal Control Structure

The Board's evaluation of the effectiveness of internal controls in the Group is based on the "Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Controls – Integrated Framework" methodology, a generally accepted framework for internal control widely recognized as the standard against which the Group measures the effectiveness of its system of internal control. The Group has in place a proper control environment to assist the Board to maintain a proper control environment. The following control structure and environment are present in the Group:

(i) Organisation Structure

The current organization structure for the Group is incorporated with clear lines of accountability that sets out the authority delegated to the Board and Management. Organization structure including the roles and responsibilities of personnel are clearly defined and documented in order to ensure proper segregation of duties and responsibilities.

(ii) Audit Committee

The Audit Committee which comprises of all Non-Executive Directors and a majority of Independent Directors are governed by clearly defined terms of references. Its members continue to meet each quarter and have full access to the internal and external auditors during the financial year.

(iii) Policies and Procedures

- The Group has defined procedures and controls to ensure the reporting of complete and accurate financial information, taking into consideration the Malaysian Financial Reporting Standards (MFRS). The annual financial statements and quarterly reports are reviewed by the Board and Audit Committee before the announcement to Bursa Securities.

- The annual budget which contain financial and operating targets and performance indicators are reviewed and approved by the Executive Director together with the senior Management before being presented to the Board for final review and approval.

- Financial performance is compared on a regular basis against budgetary parameters, with explanations of major variances, reviews of internal and external factors contributing to performance, and an account of management actions taken to improve results.

- Authorisation limit that sets out the appropriate authorisation limits of respective levels of management are in place to ensure all transactions are properly authorised before they are undertaken. The authorization limit is reviewed regularly to ensure that they continue to be relevant and effective. The Board approves all changes to the authorization limit.

(iv) Information & Communication

The Group is committed in providing open and effective communication in order to deliver high quality service and value to all stakeholders. The Board and Management receive timely, relevant and reliable reports on the business progress against objectives and the key risks to enable them to make appropriate decisions. Regular management meetings are held to identify, discuss and resolve business and operational issues and to improve efficiency.

(v) Performance Management

The Group has in place a proper control environment which emphasizes on quality and performance of its employees through the development of a competency based Human Resources process. Training programmes, career development and appraisal systems are implemented for employees to ensure continuity and to ensure employees are competent in carrying out their duties.

Conclusion by the Board of Directors

For the year under review, based on the information and assurances provided by the CEO and Head of Finance, the Board is of the view that the existing system of risk management & internal control is sound and adequate for the current level of operation. There were no major weaknesses in internal control that would hamper the operations and lead to major financial impact of the Group for the financial year ended 31 December 2012. The Board will continue to take necessary measures to strengthen its risk management & internal control structure.

Review of the Statement by External Auditors

This Statement on Risk Management & Internal Controls has been reviewed by the external auditors for the inclusion in the 2012 Annual Report. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of the internal controls.

This Statement on Internal Controls is made on the recommendation of the Audit Committee to the Board and as per the Board's resolution dated 11 April 2013.

Additional Compliance Information

1. **Utilisation of Proceeds**
There were no proceeds raised by the Company from any corporate proposal during the financial year.

2. **Share Buy-Back**
During the financial year under review, the Company did not have any mandate from shareholders to carry out any share buy-back transaction.

3. **Options, Warrants or Convertible Securities**
The Company did not issue any options, warrants or convertible securities during the financial year under review.

4. **American Depository Receipt (ADR) or Global Depository Receipt (GDR)**
The Company did not sponsor any ADR or GDR programme during the financial year under review.

5. **Sanctions and/or Penalties**
During the financial year under review, there was no sanction or penalty which was non-administrative in nature imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

6. **Non-Audit Fees**
There was no non-audit fee paid by the Group to the external auditors for the financial year under review.

7. **Variations in Results**
There was no significant variation between the audited results for the financial year and the unaudited results previously announced.

8. **Profit Guarantee**
The Group did not issue any profit guarantee during the financial year under review.

9. **Material Contracts**
Save as disclosed under item 11 below on Related Party and/or Recurrent Related Party Transactions, during the financial year under review, there was no material contract entered into by the Company and its subsidiary which involved the interest of Directors and/or substantial shareholders.

10. **Corporate Social Responsibility**
The company is committed towards adopting and engaging in Corporate Social Responsibility (CSR) for the interest of all the stakeholders. For the year under review, the Company has demonstrated responsibility in the workplace through the support of human capital development for its employees in the form of continuous training and development to enhance its employees' career and personal development. Employees are also provided with various levels of insurance coverage on medical and hospitalization benefits to ensure that employees are reasonably covered for any unforeseen mishaps.

    In the marketplace, the Company maintains high level of corporate governance through transparent reporting and compliance with applicable laws and regulations as well as ethical procurement practices. As a digital provider, the Company implemented an online workflow management system in its operation processes and encouraged its staffs to use digital copy for filing in order to reduce the usage of paper in its daily operation.

    The Company is also supportive of the initiatives by the institute of higher learning to provide non-academic learning to students and has participated as guest speaker at Taylor's Business School to share about industry experience and trade knowledge to the students in order to expose them to non-academic learning. Moving forward, the Company is looking into incorporating more CSR initiatives towards the community through social and welfare activities.

Additional Compliance Information Control (cont'd)

11. Recurrent Related Party Transactions of a Revenue or Trading Nature

On 30 May 2012, the Company had obtained the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature ("RRPTs") with related parties. The breakdown of the aggregate value of RRPTs entered into by the Group during the financial year ended 31 December 2012 was as follows:-

Company involved	Transacting Related Party	*Interested Party(ies)	Relationship	Nature of the RRPTs	Aggregate Value for the financial year
M N C Wireless Bhd (Customer)	Vizeum Media Services (M) Sdn Bhd ("Vizeum") (service provider)	Datuk Lee Fook Long, Ms Sasha Lee Wyne and Mr Lionel Koh Kok Peng	Both Datuk Lee Fook Long and Mr Lionel Koh Kok Peng are Directors of Vizeum and Datuk Lee is also a major shareholder of Vizeum.	Advertisement and promotion services	9,080
M N C Wireless Bhd (Service provider)	Rapp (M) Sdn Bhd ("Rapp") (customer)	Datuk Lee Fook Long and Ms Sasha Lee Wyne	Datuk Lee Fook Long is both a director and major shareholder of Rapp.	Mobile application services	7,280
M N C Wireless Bhd (customer)	Model.com Sdn Bhd ("Model.com") (Service provider)	Mr Lionel Koh Kok Peng	Mr Lionel Koh Kok Peng is both a director and major shareholder of Model.com.	Talent agency	14,400
Moblife.TV Sdn. Bhd. (Service provider)	Rapp (customer)	Datuk Lee Fook Long and Ms Sasha Lee Wyne	Datuk Lee Fook Long is both a director and major shareholder of Rapp.	Mobile application services	16,249
Moblife.TV Sdn. Bhd. (Service provider)	Star Publications (M) Berhad ("Star") (customer)	Datuk Lee Fook Long, Ms Sasha Lee Wyne and Mr Lew Weng Ho	Both Datuk Lee Fook Long and Mr Lew Weng Ho are directors of Star.	Mobile application services	2,901

*Note :

(1) Monaxis Sdn Bhd is a major shareholder of MNC, holding 39.54% of the issued and paid-up share capital of MNC.

(2) Datuk Lee Fook Long is a Director and major shareholder of MNC via his substantial shareholding in Monaxis Sdn Bhd.

(3) Ms Sasha Lee Wyne is a Director and person connected to Datuk Lee Fook Long and also a major shareholder of MNC via her substantial shareholding in Monaxis Sdn Bhd.

(4) Mr Lew Weng Ho is a Director of MNC and he holds 0.42% of the issued and paid-up share capital of MNC.

(5) Mr Lionel Koh Kok Peng is a Director of MNC and he holds 4.34% of the issued and paid-up share capital of MNC.

Apart from the above RRPTs disclosure, there was no other RRPTs conducted during the financial year ended 31 December 2012 pursuant to the Shareholders' Mandate dated 8 May 2012.

Statement of Directors' Responsibilities

The Directors are required by the Companies Act 1965, to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards in Malaysia, which give a true and fair view of the financial position of the Group and of the Company at the end of each financial year and of the results and cash flows of the Group and the Company for each financial year.

In preparing these financial statements, the Directors have considered the following:-

- that appropriate accounting policies have been adopted and applied consistently;
- that reasonable and prudent judgment and estimates were made; and
- that the approved accounting standards in Malaysia have been applied.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company at any time and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

The Directors have overall responsibilities for taking reasonable steps to safeguard the assets of the Group and of the Company, to prevent and detect fraud and any irregularities.

Analysis of Shareholdings
as at 1 April 2013

Authorised Share Capital	:	RM25,000,000 comprising of 250,000,000 ordinary shares of RM0.10 each
Issued and Paid-up Capital	:	RM9,447,350 comprising of 94,473,500 ordinary shares of RM0.10 each
Class of shares	:	Ordinary shares of RM0.10 each
Voting Rights	:	Every member of the Company, present in person or by proxy, shall have on a show of hands, one (1) vote or on a poll, one vote for each share held
Number of shareholders	:	1,045

Analysis of Shareholdings

Size of Holdings	No. of holders	Total holdings	Percentage (%)
1-99	5	200	negligible
100-1,000	552	114,900	0.12
1,001-10,000	186	1,068,500	1.13
10,001-100,000	210	8,944,100	9.47
100,001-4,723,674*	91	46,995,845	49.74
4,723,675 and above**	1	37,349,955	39.54
TOTAL	**1,045**	**94,473,500**	**100.00**

Notes:
* less than 5% of issued shares
** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS
(According to the Register of Substantial Shareholders as at 1 April 2013)

	<—— Direct ——>		<—— Indirect ——>	
	No of Shares	%	No of Shares	%
Monaxis Sdn. Bhd.	37,349,955	39.54	–	–
Datuk Lee Fook Long	–	–	37,349,955#	39.54
Sasha Lee Wyne	–	–	37,349,955#	39.54

Deemed interest by virtue of their shareholding in Monaxis Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

Analysis of Shareholdings (cont'd)
as at 1 April 2013

DIRECTORS' SHAREHOLDINGS
(According to the Register of Directors' Shareholdings as at 1 April 2013)

	<—— Direct ——>		<—— Indirect ——>	
Name of Director	**No of Shares**	**%**	**No of Shares**	**%**
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	–	–	–	–
Datuk Lee Fook Long	–	–	37,349,955#	39.54
Lionel Koh Kok Peng	4,095,345	4.34	–	–
Lew Weng Ho	400,000	0.42	–	–
Lee Kam Chun	3,339,000	3.53	–	–
Sasha Lee Wyne	–	–	37,349,955#	39.54

Deemed interest by virtue of their shareholding in Monaxis Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

In the subsidiaries

By virtue of their interests in shares in the Company, Datuk Lee Fook Long and Sasha Lee Wyne are deemed to have interests in the shares in its subsidiaries and its related corporation to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965 in Malaysia.

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 1 APRIL 2013

No	Investor Name	No. of Shares	%
1.	Monaxis Sdn. Bhd.	37,349,955	39.54
2.	HDM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lionel Koh Kok Peng (M09)	4,095,345	4.34
3.	Lee Kam Chun	3,289,000	3.48
4.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Tian Sin	2,500,000	2.65
5.	Chia Kwoon Meng	2,150,000	2.28
6.	Chow JieChan	2,010,200	2.13
7.	Chew Wai Peng	1,266,600	1.34
8.	Deluxe Garden Limited	1,225,600	1.30
9.	Yip Wai Man Raymond	1,127,500	1.19
10.	Chin Chee Wei	1,102,900	1.17
11.	Voon Jye Wah	1,076,700	1.14
12.	Robert Tan	1,000,000	1.06

Analysis of Shareholdings (cont'd)
as at 1 April 2013

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 1 APRIL 2013 (cont'd)

No	Investor Name	No. of Shares	%
13.	Tan Ei Leen	876,400	0.93
14.	Henrick Kwok-Hang Yau Heilesen	850,000	0.90
15.	Khor Sew Khing	789,400	0.84
16.	HLIB Nominees (Asing) Sdn Bhd Pledged Securities Account for Livermore Investment Fund (CCTS)	784,500	0.83
17.	Yong Fui Lan	784,300	0.83
18.	Khor Sew Kiang	741,700	0.79
19.	Tan Siew Kim	715,100	0.76
20.	Goh Yup Pa	713,900	0.76
21.	Christian Kwok-Leun Yau Heilesen	684,200	0.72
22.	Julie Quah	672,600	0.71
23.	Ooi Boon Tick	617,100	0.65
24.	HDM Nominees (Asing) Sdn Bhd DBS Vickers SECs (S) Pte Ltd for Christian Kwok-Leun Yau Heilesen	600,000	0.64
25.	Fong Shu Cheung	573,600	0.61
26.	Jeyaveeran a/l Tangaveloo	564,400	0.60
27.	Mohd Zainal Bin Md Yakop	545,000	0.58
28.	Leong Chong Kah	541,200	0.57
29.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Marcus Antonio Dass	532,500	0.56
30.	Ng Yew Choy	500,000	0.53
	Total	**70,279,700**	**74.43**

List of Properties

No.	Location	Description	Tenure	Date of Acquisition	Land Area (Square meter)	Existing Use	Net Book Value/Net Carrying Value as at 31.12.2012 RM
1.	Parcel No. S-3A-6, Lot P.T.1, Jalan Universiti, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan held under the Master Title HS(D) 230759, PT 12 (formerly known as Pajakan Negeri 12707, Lot 82 Seksyen 13) Bandar Petaling Jaya, Daerah Petaling, Selangor Darul Ehsan	Office Suites	Leasehold (99 years end 28 May 2105)	28 November 2012	245	The office suites is under construction and intended to use as operation office	291,180
2.	Parcel No. S-3-6, Lot P.T.1, Jalan Universiti, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan held under the Master Title HS(D) 230759, PT No. 12 (formerly known as Pajakan Negeri 12707, Lot 82 Seksyen 13) Bandar Petaling Jaya, Daerah Petaling, Selangor Darul Ehsan	Office Suites	Leasehold (99 years end 28 May 2105)	9 August 2011	245	The office suites is under construction and intended to use as operation office	1,207,336
3.	Parcel No. S-3-7, Lot P.T.1, Jalan Universiti, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan held under the Master Title HS(D) 230759, PT No. 12 (formerly known as Pajakan Negeri 12707, Lot 82 Seksyen 13) Bandar Petaling Jaya, Daerah Petaling, Selangor Darul Ehsan	Office Suites	Leasehold 99 years end 28 May 2105)	9 August 2011	204.2	The office suites is under construction and intended to use as operation office	1,007,916

Financial Statements

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 businesses of carrying out sales and marketing, and research and development of wireless, mobile and multimedia solutions and content and investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Loss after taxation for the financial year	(3,848,159)	(2,179,555)
Attributable to:-		
Owners of the Company	(3,848,159)	(2,179,555)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

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.

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 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 the 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:-

(i) 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

(ii) 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.

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.

wireless

Directors' Report (cont'd)

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 other than the impairment loss on product development expenditure as disclosed in Note 9 to the financial statements.

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:-

Datuk Lee Fook Long
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir
Lionel Koh Kok Peng
Lee Kam Chun
Lew Weng Ho
Sasha Lee Wyne
Chung Jaan Hao (Resigned on 1.12.2012)

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 RM0.10 Each			
	At 1.1.2012	Bought	Sold	At 31.12.2012
Direct Interests:-				
Lionel Koh Kok Peng	4,095,345	–	–	4,095,345
Lee Kam Chun	3,339,000	–	–	3,339,000
Lew Weng Ho	400,000	–	–	400,000
Indirect Interests:-				
Datuk Lee Fook Long*	37,349,955	–	–	37,349,955
Sasha Lee Wyne*	37,349,955	–	–	37,349,955

* Deemed interests through Monaxis Sdn. Bhd. by virtue of Section 6A of the Companies Act 1965 in Malaysia.

By virtue of their interests in shares in the Company, Datuk Lee Fook Long and Sasha Lee Wyne are deemed to have interests in shares in its subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act 1965 in Malaysia.

The other director holding office at the end of the financial year had no interest in shares of the Company during the financial year.

Directors' Report (cont'd)

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 companies in which certain directors have substantial financial interests as disclosed in Note 28 to the financial statements.

Neither during nor at the end of the financial year was the Company or its subsidiaries 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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 32 to the financial statements.

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 APRIL 2013

LIONEL KOH KOK PENG

SASHA LEE WYNE

Statement By Directors

We, Lionel Koh Kok Peng and Sasha Lee Wyne, being two of the directors of M N C Wireless Berhad, state that, in the opinion of the directors, the financial statements set out on pages 45 to 91 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.

The supplementary information set out in Note 34, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 15 APRIL 2013

Lionel Koh Kok Peng **Sasha Lee Wyne**

Statutory Declaration

I, Yap Ying Ying, being the officer primarily responsible for the financial management of M N C Wireless Berhad, do solemnly and sincerely declare that the financial statements set out on pages 45 to 91 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
Yap Ying Ying, at Klang in the state
of Selangor Darul Ehsan
on this 15 April 2013

Yap Ying Ying

Before Me
Goh Cheng Teak (No. B204)
Commissioner Of Oaths

Independent Auditors' Report

To The Members Of M N C WIRELESS BERHAD (Incorporated in Malaysia) Company No : 635884 - T

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of M N C Wireless Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the 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 45 to 91.

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.

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.

Independent Auditors' Report
To The Members Of M N C WIRELESS BERHAD (Incorporated in Malaysia) Company No : 635884 - T (cont'd)

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 have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries 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.

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 on page 92 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

1. As stated in Note 3.1 to the financial statements, M N C Wireless Berhad 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 statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated 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

Chua Wai Hong
Approval No : 2974/09/13 (J)
Chartered Accountant

Kuala Lumpur
15 April 2013

Statements of Financial Position

at 31 December 2012

		The Group			The Company		
	NOTE	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
ASSETS							
NON-CURRENT ASSETS							
Investment in subsidiaries	5	**–**	–	–	**2,240,545**	2,240,541	2,929,952
Investment in an associate	6	**–**	–	–	**–**	–	–
Other investment	7	**41,202**	41,202	–	**41,202**	41,202	–
Property and equipment	8	**3,281,106**	1,905,490	572,861	**3,215,359**	1,791,136	403,890
Product development expenditure	9	**1,770,768**	2,492,746	2,406,542	**1,770,768**	2,492,746	2,406,542
Intangible asset	10	**331,500**	433,500	535,500	**331,500**	433,500	535,500
		5,424,576	4,872,938	3,514,903	**7,599,374**	6,999,125	6,275,884
CURRENT ASSETS							
Inventories held for resale, at cost		**82,001**	–	–	**82,001**	–	–
Trade receivables	11	**2,319,039**	3,189,109	3,150,071	**828,014**	833,248	469,155
Other receivables, deposits and prepayments	12	**172,197**	124,908	198,758	**134,754**	108,388	132,545
Amount owing by subsidiaries	13	**–**	–	–	**2,570,084**	2,368,265	2,717,299
Amount owing by an associate		**–**	–	42,883	**–**	–	42,883
Tax refundable		**12,925**	12,925	16,889	**1,129**	1,129	1,164
Short-term deposits with licensed banks	14	**2,068,774**	3,496,048	4,232,705	**2,014,252**	3,443,552	4,181,318
Cash and bank balances		**1,050,093**	1,758,498	2,190,645	**232,529**	878,631	1,102,093
		5,705,029	8,581,488	9,831,951	**5,862,763**	7,633,213	8,646,457
TOTAL ASSETS		**11,129,605**	13,454,426	13,346,854	**13,462,137**	14,632,338	14,922,341

The annexed notes form an integral part of these financial statements.

wireless

Statements of Financial Position
at 31 December 2012 (cont'd)

		The Group			The Company		
	NOTE	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
EQUITY AND LIABILITIES							
EQUITY							
Share capital	15	**9,447,350**	9,447,350	9,447,350	**9,447,350**	9,447,350	9,447,350
Share premium	16	**2,231,412**	2,231,412	2,231,412	**2,231,412**	2,231,412	2,231,412
(Accumulated losses)/Retained profits	17	**(5,283,392)**	(1,435,233)	(855,950)	**(2,103,470)**	76,085	1,061,556
TOTAL EQUITY		**6,395,370**	10,243,529	10,822,812	**9,575,292**	11,754,847	12,740,318
NON-CURRENT LIABILITY							
Term loans	18	**1,448,700**	415,562	–	**1,448,700**	415,562	–
CURRENT LIABILITIES							
Trade payables	19	**2,787,068**	2,448,679	2,142,808	**2,082,044**	2,256,485	2,019,763
Other payables and accruals	20	**498,467**	346,656	381,234	**356,101**	205,444	162,260
		3,285,535	2,795,335	2,524,042	**2,438,145**	2,461,929	2,182,023
TOTAL LIABILITIES		**4,734,235**	3,210,897	2,524,042	**3,886,845**	2,877,491	2,182,023
TOTAL EQUITY AND LIABILITIES		**11,129,605**	13,454,426	13,346,854	**13,462,137**	14,632,338	14,922,341
NET ASSETS PER SHARE	21	**6.8 sen**	10.8 sen	11.5 sen			

The annexed notes form an integral part of these financial statements.

Statements of Comprehensive Income

for the financial year ended 31 December 2012

		The Group		The Company	
		2012	2011	2012	2011
	NOTE	RM	RM	RM	RM
REVENUE	22	**13,539,149**	15,092,270	**9,881,366**	11,735,805
COST OF SALES		**(9,019,267)**	(8,909,915)	**(6,372,336)**	(6,736,572)
GROSS PROFIT		**4,519,882**	6,182,355	**3,509,030**	4,999,233
OTHER INCOME		**81,727**	130,166	**251,378**	122,050
SALES AND DISTRIBUTION EXPENSES		**(1,745,927)**	(1,081,954)	**(448,595)**	(458,450)
ADMINISTRATIVE AND OTHER OPERATING EXPENSES		**(6,651,603)**	(5,809,223)	**(5,439,130)**	(5,647,677)
FINANCE EXPENSES		**(52,238)**	(627)	**(52,238)**	(627)
LOSS BEFORE TAXATION	23	**(3,848,159)**	(579,283)	**(2,179,555)**	(985,471)
INCOME TAX EXPENSE	24	**–**	–	**–**	–
LOSS AFTER TAXATION		**(3,848,159)**	(579,283)	**(2,179,555)**	(985,471)
OTHER COMPREHENSIVE INCOME		**–**	–	**–**	–
TOTAL COMPREHENSIVE EXPENSES FOR THE FINANCIAL YEAR		**(3,848,159)**	(579,283)	**(2,179,555)**	(985,471)
LOSS AFTER TAXATION ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(3,848,159)**	(579,283)	**(2,179,555)**	(985,471)
TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(3,848,159)**	(579,283)	**(2,179,555)**	(985,471)
LOSS PER SHARE (SEN):					
- BASIC	25	**(4.07)**	(0.61)		
- DILUTED	25	**N/A**	N/A		

The annexed notes form an integral part of these financial statements.

wireless

Statements of Changes in Equity

for the financial year ended 31 December 2012

	<— Attributable To Owners Of The Company —>			
	<— Non-Distributable —>		Distributable	
	Share Capital RM	Share Premium RM	Retained Profits/ (Accumulated Losses) RM	Total Equity RM
The Group				
Balance at 1.1.2011	9,447,350	2,231,412	(855,950)	10,822,812
Total comprehensive expenses for the financial year	–	–	(579,283)	(579,283)
Balance at 31.12.2011/1.1.2012	9,447,350	2,231,412	(1,435,233)	10,243,529
Total comprehensive expenses for the financial year	–	–	(3,848,159)	(3,848,159)
Balance at 31.12.2012	**9,447,350**	**2,231,412**	**(5,283,392)**	**6,395,370**
The Company				
Balance at 1.1.2011	9,447,350	2,231,412	1,061,556	12,740,318
Total comprehensive expenses for the financial year	–	–	(985,471)	(985,471)
Balance at 31.12.2011/1.1.2012	9,447,350	2,231,412	76,085	11,754,847
Total comprehensive expenses for the financial year	–	–	(2,179,555)	(2,179,555)
Balance at 31.12.2012	**9,447,350**	**2,231,412**	**(2,103,470)**	**9,575,292**

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2012

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Loss before taxation	**(3,848,159)**	(579,283)	**(2,179,555)**	(985,471)
Adjustments for:-				
Allowance for impairment loss on:				
- amount owing by a subsidiary	**–**	–	**–**	960,758
- investment in a subsidiary	**–**	–	**–**	50,000
- product development expenditure	**1,124,763**	–	**1,124,763**	–
Amortisation of intangible asset	**102,000**	102,000	**102,000**	102,000
Amortisation of product development expenditure	**1,785,343**	1,691,464	**1,785,343**	1,691,464
Bad debts written off	**55,843**	346	**–**	–
Depreciation of equipment	**396,855**	360,768	**349,169**	311,213
Equipment written off	**3,921**	2,112	**3,000**	–
Interest expense	**52,238**	627	**52,238**	627
Loss on disposal of equipment	**208**	1,500	**208**	–
Loss on disposal of a subsidiary	**–**	–	**–**	762,651
Gain on disposal of an associate	**(5)**	–	**(5)**	–
Interest income	**(81,722)**	(130,166)	**(75,996)**	(122,050)
Reversal of allowance for impairment loss on amount owing by a subsidiary	**–**	–	**(175,377)**	–
Operating (loss)/profit before working capital changes	**(408,715)**	1,449,368	**985,788**	2,771,192
Increase in inventories	**(82,001)**	–	**(82,001)**	–
Decrease/(Increase) in trade and other receivables	**766,938**	34,466	**(21,132)**	(339,936)
Increase/(Decrease) in trade and other payables	**490,200**	271,293	**(23,784)**	279,906
(Increase)/Decrease in amount owing by subsidiaries	**–**	–	**(3,044,907)**	434,979
CASH FROM/(FOR) OPERATIONS	**766,422**	1,755,127	**(2,186,036)**	3,146,141
Interest paid	**(52,238)**	(627)	**(52,238)**	(627)
Tax refunded	**–**	3,964	**–**	35
NET CASH FROM/(FOR) OPERATING ACTIVITIES AND BALANCE CARRIED FORWARD	**714,184**	1,758,464	**(2,238,274)**	3,145,549

The annexed notes form an integral part of these financial statements.

wireless

Statements of Cash Flows
for the financial year ended 31 December 2012 (cont'd)

		The Group		The Company	
		2012	2011	2012	2011
	NOTE	RM	RM	RM	RM
BALANCE BROUGHT FORWARD		**714,184**	1,758,464	**(2,238,274)**	3,145,549
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Interest received		**81,722**	130,166	**75,996**	122,050
Investment in subsidiaries		**–**	–	**(4)**	(123,240)
Purchase of property and equipment		**(1,778,970)**	(1,698,459)	**(1,778,970)**	(1,698,459)
Proceeds from disposal of equipment		**2,370**	1,450	**2,370**	–
Proceeds from disposal of an associate		**5**	–	**5**	–
Purchase of unquoted investment		**–**	(41,202)	**–**	(41,202)
Product development expenditure incurred		**(2,188,128)**	(1,777,668)	**(2,188,128)**	(1,777,668)
Placement of fixed deposit		**–**	(200,000)	**–**	(200,000)
NET CASH FOR INVESTING ACTIVITIES		**(3,883,001)**	(3,585,713)	**(3,888,731)**	(3,718,519)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Drawdown of term loans		**1,232,152**	416,500	**1,232,152**	416,500
Repayment from an associate		**–**	42,883	**–**	42,883
Repayment of term loans		**(199,014)**	(938)	**(199,014)**	(938)
Repayment from/(Advances to) subsidiaries		**–**	–	**3,018,465**	(1,046,703)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		**1,033,138**	458,445	**4,051,603**	(588,258)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,135,679)**	(1,368,804)	**(2,075,402)**	(1,161,228)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**5,054,546**	6,423,350	**4,122,183**	5,283,411
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	26	**2,918,867**	5,054,546	**2,046,781**	4,122,183

The annexed notes form an integral part of these financial statements.

Notes to the Financial Statement
for the financial year ended 31 December 2012

1. GENERAL INFORMATION

The Company is a public 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	:	Unit 621, 6th Floor, Block A, Kelana Centre Point, No. 3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Principal place of business	:	A-3-3, Block A, Jaya One, No. 72A, Jalan University, Section 13, 46200 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 April 2013.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of carrying out sales and marketing, and research and development of wireless, mobile and multimedia solutions and content and investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group 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 the 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 Group were prepared in accordance with Financial Reporting Standards ("FRSs"). There were no material financial impacts on the transition from FRSs to MFRSs.

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)	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 13 Fair Value Measurement	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 Company's operations except as follows:-

MFRS 9 & Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures
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. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

3. BASIS OF PREPARATION (CONT'D)

3.2 *MFRS 10 & Amendments to MFRS 10: Transition Guidance*
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. There will be no financial impacts on the financial statements of the Group upon its initial application but may impact its future disclosures.

MFRS 12 & Amendments to MFRS 12: Transition Guidance
MFRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or 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
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.

Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities
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. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

Amendments to MFRS 10, MFRS 12 & MFRS 127: Investment Entities
The amendments to MFRS 10, MFRS 12 and MFRS 127 require investment entities to measure particular subsidiaries at fair value through profit or loss instead of consolidating them. The Group is an investment entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Accordingly, the Group will deconsolidate its subsidiaries upon the initial application of these amendments and to fair value the investments in accordance with FRS 139. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income
The amendments to MFRS 101 retain the option to present profit or loss and other 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. There will be no financial impact on the financial statements of the Group upon its initial application.

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

3. BASIS OF PREPARATION (CONT'D)

3.2 *Annual Improvements to MFRSs 2009 - 2011 Cycle*
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 except for the reclassification of spare parts/stand-by-equipment/servicing equipment as property, plant and equipment and measured as such retrospectively. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) 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:-

(i) 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.

(ii) 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.

(iii) 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.

(iv) Amortisation of Product Development Expenditure

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates And Judgements (Cont'd)

(v) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant' or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(vi) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(vii) 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 judgment to evaluate the adequacy of the allowance for impairment losses. 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.

(viii) 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/or equity.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

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.

(i) 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.

(ii) 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.

(iii) 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.

(iv) Loss of Control

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

(a) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

(iv) Loss of Control (Cont'd)

(b) 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.

(c) Functional and Foreign Currencies

(i) 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, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(d) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group 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 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.

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 statements of financial position are disclosed in the individual policy statement associated with each item.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments (Cont'd)

(i) Financial Assets

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

- *Financial Assets at Fair Value Through Profit or Loss*

  As at the end of the reporting period, there were no financial assets classified under this category.

- *Held-to-maturity Investments*

  As at the end of the reporting period, there were no financial assets classified under this category.

- *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.

- *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.

  Unquoted equity investments are initially recognised at fair value plus transaction costs and subsequently measured at cost less impairment.

  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.

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments (Cont'd)

(ii) 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.

(iii) Equity Instruments

Ordinary shares are classified as equity. 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.

(e) Investments

Investments in subsidiaries are stated at cost less accumulated impairment loss 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 their 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.

(f) Property and Equipment

Equipment is 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:-

Computers and related equipment	20% - 40%
Furniture, fittings and office equipment	10%
Renovation	20%

Capital work-in-progress represents assets under construction, and which are not ready for commercial used at the end of reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of capital work-in-progress includes direct costs, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period 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 the equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property and Equipment (Cont'd)

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 amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of plant 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 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.

(g) Product 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 assets; and

(v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised product 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 periods.

The product development expenditure is amortised on a straight-line method over a period of 5 years when the products are ready for sales 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.

(h) Intangible Assets

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. An entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. An intangible asset shall be measured initially at cost.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Intangible Assets (Cont'd)

The useful lives of intangible assets are assessed to be either finite or indefinite.

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

(i) Impairment

(i) 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.

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.

For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment (Cont'd)

(ii) 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.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first out basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slowmoving items. The Group writes down its obsolete or slow moving inventories based on assessment of the condition and the future demand for the inventories. These inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recovered.

(k) Income Taxes

Income taxes for the financial year comprise 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Income Taxes (Cont'd)

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.

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.

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand 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.

(m) Employee Benefits

(i) Short-term Benefits

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

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Related Parties

A party is related to an entity if:-

(i) A person or a close member of that person's family is related to a reporting entity if that person:-

(a) has control or joint control over the reporting entity;

(b) has significant influence over the reporting entity; or

(c) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(ii) An entity is related to a reporting entity if any of the following conditions applies:-

(a) 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).

(b) 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).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) 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.

(f) The entity is controlled or jointly controlled by a person identified in (i) above.

(g) A person identified in (i)(a) 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.

(o) Borrowing Costs

Borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

(p) Revenue Recognition

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.

(q) Operating Segments

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

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

5. INVESTMENT IN SUBSIDIARIES

	The Company 2012 RM	The Company 2011 RM
Unquoted shares, at cost:-		
At 1 January	**2,290,541**	2,929,952
Acquired during the financial year	**4**	–
Additional subscription of shares in a subsidiary	**–**	123,240
Disposal of a subsidiary	**–**	(762,651)
At 31 December	**2,290,545**	2,290,541
Accumulated impairment loss:-		
At 1 January	**(50,000)**	–
Increase during the financial year	**–**	(50,000)
At 31 December	**(50,000)**	(50,000)
Net carrying amount	**2,240,545**	2,240,541

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interest 2012	Effective Equity Interest 2011	Principal Activities
Moblife.TV Sdn. Bhd.	**100%**	100%	Consultation, sales, marketing and implementation of m-business solutions for business to business and business to consumer enterprise applications and the management of content resources for business to business and business to consumer enterprise applications
Digital Kung-Fu Sdn. Bhd.	**100%**	100%	Providing web design and hosting services, research and development in digital communication and advertising services.
Wowloud Sdn. Bhd.	**100%**	–	Providing legal music streaming subscription service.
Joors Asia Sdn. Bhd.	**100%**	–	Dormant.

6. INVESTMENT IN AN ASSOCIATE

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Unquoted shares, at cost:-				
At 1 January	**1,850,488**	1,850,488	**1,850,488**	1,850,488
Disposal during the financial year	**(1,850,488)**	–	**(1,850,488)**	–
At 31 December	**–**	1,850,488	**–**	1,850,488
Share of post-acquisition losses:-				
At 1 January	**(425,490)**	(425,490)	**–**	–
Disposal during the financial year	**425,490**	–	**–**	–
At 31 December	**–**	(425,490)	**–**	–
Allowance for impairment losses:				
At 1 January	**(1,424,998)**	(1,424,998)	**(1,850,488)**	(1,850,488)
Disposal during the financial year	1,424,998	–	**1,850,488**	–
At 31 December	**–**	(1,424,998)	**–**	(1,850,488)
	–	–	**–**	–

Details of the associate are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2012	Effective Equity Interest 2011	Principal Activities
Nexgen Studio Pte. Ltd. #	Singapore	–	36%	Provision of services on internet networking and online internet games.

not audited by Messrs. Crowe Horwath

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

7. OTHER INVESTMENT

	The Group And The Company 2012 RM	2011 RM
Available-for-sale financial asset:		
- Unquoted investment outside Malaysia, at cost	**41,202**	41,202

Unquoted investment of the Group and of the Company, designated as available-for-sale financial assets, is stated at cost as its fair value cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

8. PROPERTY AND EQUIPMENT

The Group Net Carrying Amount	At 1.1.2012 RM	Additions RM	Disposal RM	Written Off RM	Depreciation Charge RM	At 31.12.2012 RM
Computers and related equipment	**649,695**	**253,238**	**(2,578)**	**(3,400)**	**(324,431)**	**572,524**
Furniture, fittings and office equipment	**215,630**	**2,400**	**–**	**(521)**	**(49,620)**	**167,889**
Renovation	**57,065**	**–**	**–**	**–**	**(22,804)**	**34,261**
Capital work-in-progress	**983,100**	**1,523,332**	**–**	**–**	**–**	**2,506,432**
Total	**1,905,490**	**1,778,970**	**(2,578)**	**(3,921)**	**(396,855)**	**3,281,106**

The Group Net Carrying Amount	At 1.1.2011 RM	Additions RM	Written Off/ Disposal RM	Depreciation Charge RM	At 31.12.2011 RM
Computers and related equipment	319,265	623,400	(2,112)	(290,858)	649,695
Furniture, fittings and office equipment	173,727	91,959	(2,950)	(47,106)	215,630
Renovation	79,869	–	–	(22,804)	57,065
Capital work-in-progress	–	983,100	–	–	983,100
Total	572,861	1,698,459	(5,062)	(360,768)	1,905,490

8. PROPERTY AND EQUIPMENT (CONT'D)

The Group	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 31.12.2012			
Computers and related equipment	**3,321,341**	**(2,748,817)**	**572,524**
Furniture, fittings and office equipment	**509,392**	**(341,503)**	**167,889**
Renovation	**296,724**	**(262,463)**	**34,261**
Capital work-in-progress	**2,506,432**	**–**	**2,506,432**
Total	**6,633,889**	**(3,352,783)**	**3,281,106**
At 31.12.2011			
Computers and related equipment	3,233,749	(2,584,054)	649,695
Furniture, fittings and office equipment	507,702	(292,072)	215,630
Renovation	296,724	(239,659)	57,065
Capital work-in-progress	983,100	–	983,100
Total	5,021,275	(3,115,785)	1,905,490

The Company Net Carrying Amount	At 1.1.2012 RM	Additions RM	Disposal RM	Written Off RM	Depreciation Charge RM	At 31.12.2012 RM
Computers and related equipment	**627,106**	**253,238**	**(2,578)**	**(3,000)**	**(311,145)**	**563,621**
Furniture, fittings and office equipment	**123,865**	**2,400**	**–**	**–**	**(15,220)**	**111,045**
Renovation	**57,065**	**–**	**–**	**–**	**(22,804)**	**34,261**
Capital work-in-progress	**983,100**	**1,523,332**	**–**	**–**	**–**	**2,506,432**
Total	**1,791,136**	**1,778,970**	**(2,578)**	**(3,000)**	**(349,169)**	**3,215,359**

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

8. PROPERTY AND EQUIPMENT (CONT'D)

The Company Net Carrying Amount	At 1.1.2011 RM	Additions RM	Depreciation Charge RM	At 31.12.2011 RM
Computers and related equipment	280,646	623,400	(276,940)	627,106
Furniture, fittings and office equipment	43,375	91,959	(11,469)	123,865
Renovation	79,869	–	(22,804)	57,065
Capital work-in-progress	–	983,100	–	983,100
Total	403,890	1,698,459	(311,213)	1,791,136

The Company	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
At 31.12.2012			
Computers and related equipment	**3,117,714**	**(2,554,093)**	**563,621**
Furniture, fittings and office equipment	**153,726**	**(42,681)**	**111,045**
Renovation	**114,023**	**(79,762)**	**34,261**
Capital work-in-progress	**2,506,432**	**–**	**2,506,432**
Total	**5,891,895**	**(2,676,536)**	**3,215,359**
At 31.12.2011			
Computers and related equipment	3,012,362	(2,385,256)	627,106
Furniture, fittings and office equipment	151,326	(27,461)	123,865
Renovation	114,023	(56,958)	57,065
Capital work-in-progress	983,100	–	983,100
Total	4,260,811	(2,469,675)	1,791,136

Assets pledged as security

The capital work-in-progress of the Company is in respect of three adjacent office suites under construction. The said properties are acquired under term loan financing arrangements with a licensed bank as disclosed in Note 18 to the financial statements.

9. PRODUCT DEVELOPMENT EXPENDITURE

	The Group And The Company 2012 RM	2011 RM
Cost		
At 1 January	**14,134,362**	12,356,694
Incurred during the financial year	**2,188,128**	1,777,668
At 31 December	**16,322,490**	14,134,362
Accumulated Amortisation		
At 1 January	**(11,641,616)**	(9,950,152)
Amortisation charge for the financial year	**(1,785,343)**	(1,691,464)
At 31 December	**(13,426,959)**	(11,641,616)
Allowance for impairment loss	**(1,124,763)**	–
Net carrying amount	**1,770,768**	2,492,746

Included in the product development expenditure is the following cost incurred during the financial year:-

	The Group And The Company 2012 RM	2011 RM
Staff costs	**2,188,128**	1,777,668

The recoverable amount of a cash generating unit ("CGU") is determined based on value-in-use calculations using cash flow projections prepared and approved by the management. The key assumptions used in value-in-use calculations are disclosed in Note 10 to the financial statements.

During the financial year, an impairment loss of RM1,124,763 (2011 - Nil) was recognised in profit or loss to write down the carrying amount of the product development expenditure attributable to the previous system build up in the mobile applications segment due to system upgrade.

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

10. INTANGIBLE ASSET

	The Group And The Company	
	2012 RM	2011 RM
Cost		
At 1 January	**1,020,000**	1,020,000
Accumulated Amortisation		
At 1 January	**(586,500)**	(484,500)
Amortisation charge for the financial year	**(102,000)**	(102,000)
At 31 December	**(688,500)**	(586,500)
Net carrying amount	**331,500**	433,500

The intangible asset comprises the cost incurred in acquiring a mobile platform for messaging gaming services.

Key assumptions used in value-in-use calculations

		Intangible Asset		Product Development Expenditure	
		2012	2011	2012	2011
1.	Discount rate	**10%**	10%	**10%**	10%
	The discount rate is on a pre-tax basis that reflects current market assessment of time value of money and the risks specific to the CGU.				
2.	Growth rates	**–**	–	**7.50%**	5.75%
	This is based on the management forecasts after incorporating changes in pricing and direct costs based on past experience and the expectations of future changes in the market.				
3.	Cash flow period	**4 years**	5 years	**5 years**	5 years
	The cash flow projections are based on financial budgets approved by the management. The cash flow projections for the intangible asset acquired and product development expenditure are based on the duration of the licensing period and the expected life cycle of the products respectively.				
4.	Cash net operating margin	**54%**	70%	**11%**	11%
	Net cash projections for the relevant cash flow period are extrapolated based on past net operating cash flows generated by the CGU divided by the gross revenue generated by the respective CGU.				

11. TRADE RECEIVABLES

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Third parties	**2,318,583**	2,722,596	**828,014**	477,348
Related parties	**456**	466,513	**–**	355,900
	2,319,039	3,189,109	**828,014**	833,248

The related parties are companies in which certain directors have substantial financial interests.

The Group's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Other receivables	**22,836**	–	**22,836**	–
Deposits	**123,680**	124,908	**106,960**	108,388
Prepayments	**25,681**	–	**4,958**	–
	172,197	124,908	**134,754**	108,388

13. AMOUNT OWING BY SUBSIDIARIES

	The Company	
	2012 RM	2011 RM
Amount owing by subsidiaries:		
- trade	**3,780,992**	736,085
- non-trade	**(425,527)**	2,592,938
	3,355,465	3,329,023
Allowance for impairment losses	**(785,381)**	(960,758)
	2,570,084	2,368,265
Allowance for impairment losses:		
At 1 January	**960,758**	–
Addition during the financial year	**–**	960,758
Reversal during the financial year	**(175,377)**	–
At 31 December	**785,381**	960,758

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

13. AMOUNT OWING BY SUBSIDIARIES (CONT'D)

The trade amount is subject to the normal trade terms. The amount owing is to be settled in cash.

The non-trade balance represents unsecured interest-free advances and payments made on behalf. The amounts owing is repayable on demand and is to be settled in cash.

14. SHORT-TERM DEPOSITS WITH LICENSED BANKS

The effective interest rates and maturity periods of the short-term deposits of the Group and of the Company at the end of the reporting period ranged from 3.00% to 3.8% (2011 - 3.00% to 3.5%) per annum and 30 to 90 days (2011 - 30 to 90 days) respectively.

Included in short-term deposits with licensed banks of the Group and of the Company at the end of the reporting period is an amount of RM200,000 (2011 - RM200,000) which is pledged to a licensed bank as security for banking facilities granted to the Company.

15. SHARE CAPITAL

	The Company			
	2012	2011	2012	2011
	Number Of Ordinary Shares		RM	RM
ORDINARY SHARES OF RM0.10 EACH:-				
AUTHORISED	**250,000,000**	250,000,000	**25,000,000**	25,000,000
ISSUED AND FULLY PAID-UP	**94,473,500**	94,473,500	**9,447,350**	9,447,350

16. SHARE PREMIUM

	The Group And The Company	
	2012 RM	2011 RM
At 1 January/31 December	**2,231,412**	2,231,412

The share premium is not distributable by way of cash dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965 in the Malaysia.

17. ACCUMULATED LOSS

The Company has no unutilised tax loss as at the end of the reporting period.

18. TERM LOANS

	The Group And The Company	
	2012 RM	2011 RM
Non-current portion:		
- repayable after 12 months	**1,448,700**	415,562

The term loans are secured by way of:-

(i) a lien over a fixed deposit belonging to the Company; and

(ii) a legal charge over the properties under construction held by the Company.

The repayment of the term loans was restricted only to the payment of term loan interest as the term loans have yet to be fully drawndown as at the end of the reporting period.

19. TRADE PAYABLES

The normal trade credit terms granted to the Group ranged from 30 to 90 days.

20. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Other payables:				
- third parties	**405,702**	220,574	**350,111**	124,740
- a related party	**5,990**	–	**5,990**	–
Accruals	**86,775**	126,082	**–**	80,704
	498,467	346,656	**356,101**	205,444

The related party is a company in which certain directors have substantial financial interests.

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

21. NET ASSETS PER SHARE

The net assets per share of the Group is calculated based on the net assets value of RM6,395,370 (2011 - RM10,243,529) divided by the number of ordinary shares in issue at the end of reporting period of 94,473,500 (2011 - 94,473,500).

22. REVENUE

Revenue represents:-

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Mobile applications	**9,881,366**	11,735,805	**9,881,366**	11,735,805
Wireless and multimedia related services	**3,657,783**	3,356,465	**–**	–
	13,539,149	15,092,270	**9,881,366**	11,735,805

23. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):-

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Allowance for impairment loss on:				
- amount owing by a subsidiary	**–**	–	**–**	960,758
- investment in a subsidiary	**–**	–	**–**	50,000
- productive development expenditure	**1,124,763**	–	**1,124,763**	–
Amortisation of intangible asset	**102,000**	102,000	**102,000**	102,000
Amortisation of product development expenditure	**1,785,343**	1,691,464	**1,785,343**	1,691,464
Audit fee:				
- current financial year	**46,300**	47,000	**30,000**	28,000
- overprovision in the previous financial year	**(4,000)**	–	**–**	–
Bad debts written off	**55,843**	346	**–**	–
Depreciation of equipment	**396,855**	360,768	**349,169**	311,213
Directors' remuneration:				
- fee	**24,000**	24,000	**24,000**	24,000
- other emoluments	**417,416**	397,000	**–**	–
Equipment written off	**3,921**	2,112	**3,000**	–
Hire of equipment	**3,570**	12,145	**3,570**	1,430
Loss on disposal of equipment	**208**	1,500	**208**	-
Loss on disposal of a subsidiary	**–**	–	**–**	762,651

23. LOSS BEFORE TAXATION (CONT'D)

Loss before taxation is arrived at after charging/(crediting):- (cont'd)

	Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Rental of office	**452,731**	447,409	**357,390**	309,843
Staff costs:				
- salaries and allowances	**1,966,219**	1,888,635	**629,519**	465,045
- defined contribution plan	**256,615**	216,608	**87,182**	43,559
Term loan interest	**52,238**	627	**52,238**	627
Gain on disposal of an associate	**(5)**	–	**(5)**	–
Interest income	**(81,722)**	(130,166)	**(75,996)**	(122,050)
Reversal of impairment loss on amount owing by subsidiary	**–**	–	**(175,377)**	–

24. INCOME TAX EXPENSE

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

	Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Loss before taxation	**(3,848,159)**	(579,283)	**(2,179,555)**	(985,471)
Tax at the statutory tax rate of 25%	**(962,000)**	(145,000)	**(545,000)**	(246,000)
Tax effects of:-				
Tax-exempt income	**(118,000)**	–	**(118,000)**	–
Non–deductible expenses	**866,200**	88,250	**838,748**	252,000
Non–taxable income	**–**	(31,000)	**(44,000)**	(31,000)
Deferred tax assets not recognised during the financial year	**345,548**	87,750	**–**	25,000
Utilisation of deferred tax assets previously not recognised	**(131,748)**	–	**(131,748)**	–
Income tax expense for the financial year	**–**	–	**–**	–

24. INCOME TAX EXPENSE (CONT'D)

No deferred tax assets are recognised in respect of the following items:-

	Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deferred tax assets				
Unabsorbed capital allowances	**900,750**	699,250	**–**	–
Unutilised tax losses	**33,000**	31,500	**–**	131,748
	933,750	730,750	**–**	131,748
Deferred tax liability				
Accelerated depreciation	**(14,900)**	(25,700)	**–**	–
Net deferred tax assets not recognised	**918,850**	705,050	**–**	131,748

Deferred tax assets of the Group and of the Company have not been recognised in respect of these items as it is not probable that taxable profit of the Group and of the Company will be available against which the deductible temporary differences can be utilised.

25. LOSS PER SHARE

The basic loss per share for the financial year has been calculated by dividing the consolidated loss attributable to owners of the Company of RM3,848,159 (2011 - RM579,283) by the number of ordinary shares in issue during the financial year of 94,473,500 (2011 - 94,473,500).

There is no diluted loss per share for the current financial year as there are no dilutive potential ordinary shares.

26. CASH AND CASH EQUIVALENTS

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

	Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short-term deposits with licensed banks	**2,068,774**	3,496,048	**2,014,252**	3,443,552
Cash and bank balances	**1,050,093**	1,758,498	**232,529**	878,631
	3,118,867	5,254,546	**2,246,781**	4,322,183
Less: Short-term deposits pledged as security (Note 18)	**(200,000)**	(200,000)	**(200,000)**	(200,000)
	2,918,867	5,054,546	**2,046,781**	4,122,183

27. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by the directors of the Group and of the Company during the financial year was as follows:-

	No. Of Directors	Salaries RM	EPF & SOCSO RM	Fee RM	Allowances RM	Total RM
The Group						
2012						
Executive						
- Between RM400,001 and RM450,000	1	**356,000**	**36,208**	**–**	**25,208**	**417,416**
Non–Executive						
- Less than or equal to RM50,000	1	**–**	**–**	**24,000**	**–**	**24,000**
	2	**356,000**	**36,208**	**24,000**	**25,208**	**441,416**
2011						
Executive						
- Between RM350,001 and RM400,000	1	300,000	39,500	–	57,500	397,000
Non–Executive						
- Less than or equal to RM50,000	1	–	–	24,000	–	24,000
	2	**300,000**	**39,500**	**24,000**	**57,500**	**421,000**
The Company						
2012						
Non-Executive						
- Less than or equal to RM50,000	1	**–**	**–**	**24,000**	**–**	**24,000**
2011						
Non-Executive						
- Less than or equal to RM50,000	1	–	–	24,000	–	24,000

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

28. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Company has related party relationships with:-

(i) its subsidiaries as disclosed in Note 5 to the financial statements or companies in which certain directors have substantial financial interests; and

(ii) the directors who are the key management personnel.

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

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Sales to a subsidiary	**–**	–	**7,424,567**	8,729,997
Management fee paid to a subsidiary	**–**	–	**330,000**	360,000
Sales to related parties	**26,430**	33,848	**7,280**	15,380
Key management personnel compensation:				
- short-term employee benefits	**441,416**	421,000	**24,000**	24,000

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

29. FOREIGN EXCHANGE RATE

The principal closing foreign exchange rate used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of the foreign currency balances at the end of the reporting period is as follows:-

	The Group And The Company	
	2012 RM	2011 RM
Swedish Krona	**0.47**	0.46

30. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group's business segments comprise the following main segments:-

Mobile applications	Provision of mobile application platforms for Short Message Service (SMS) to mobile phone users.
Wireless and multimedia related services	Consultations, sales, marketing and implementation of m-business solutions, management of content resources business and other related multimedia services.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties.

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

30. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS

2012	Mobile Applications RM	Wireless And Multimedia Related Services RM	Group RM
Revenue And Expenses			
Revenue			
External sales	9,881,366	3,657,783	13,539,149
Inter-segment sales	–	7,424,567	7,424,567
Total revenue	9,881,366	11,082,350	20,963,716
Adjustments and elimination			(7,424,567)
Consolidated revenue			13,539,149
Results			
Results before following adjustments	1,161,170	(1,569,880)	(408,710)
Interest income	75,996	5,726	81,722
Depreciation of equipment	(349,169)	(47,686)	(396,855)
Amortisation of intangible asset	(102,000)	–	(102,000)
Amortisation of product development expenditure	(1,785,343)	–	(1,785,343)
Other material items of expenses	(3,208)	(921)	(4,129)
Other material non-cash expenses	(1,124,763)	(55,843)	(1,180,606)
Segment results	(2,127,317)	(1,668,604)	(3,795,921)
Interest expense			(52,238)
Consolidated loss after taxation			(3,848,159)
Assets And Liabilities			
Segment assets	8,651,508	2,478,097	11,129,605
Segment liabilities	3,886,845	847,390	4,734,235
Other Segment Items			
Additions to non-current assets other than financial instruments:			
- product development expenditure	2,188,128	–	2,188,128
- property and equipment	1,778,970	–	1,778,970

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

30. OPERATING SEGMENTS (CONT'D)

Business Segments (Cont'd)

2011	Mobile Applications RM	Wireless And Multimedia Related Services RM	Group RM
Revenue And Expenses			
Revenue			
External sales	11,735,805	3,356,465	15,092,270
Inter-segment sales	–	8,729,997	8,729,997
Total revenue	11,735,805	12,086,462	23,822,267
Adjustments and elimination			(8,729,997)
Consolidated revenue			15,092,270
Results			
Results before following adjustments	2,771,192	(1,321,824)	1,449,368
Interest income	122,050	8,116	130,166
Depreciation of equipment	(311,213)	(49,555)	(360,768)
Amortisation of intangible asset	(102,000)	–	(102,000)
Amortisation of product development expenditure	(1,691,464)	–	(1,691,464)
Other material items of expenses	–	(3,612)	(3,612)
Other material non-cash expenses	–	(346)	(346)
Segment results	788,565	(1,367,221)	(578,656)
Interest expense			(627)
Consolidated loss after taxation			(579,283)
Assets And Liabilities			
Segment assets	10,023,532	3,430,894	13,454,426
Segment liabilities	2,877,491	333,406	3,210,897
Other Segment Items			
Additions to non-current assets other than financial instruments:			
- product development expenditure	1,777,668	–	1,777,668
- property and equipment	1,698,459	–	1,698,459

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

30. OPERATING SEGMENTS (CONT'D)

(a) Other material items of expenses consist of the following:-

	The Group	
	2012 RM	2011 RM
Equipment written off	**3,921**	2,112
Loss on disposal of equipment	**208**	1,500
	4,129	3,612

(b) Other material non-cash expenses consist of the following:-

	The Group	
	2012 RM	2011 RM
Allowance for impairment loss on		
Product development expenditure	**1,124,763**	–
Bad debts written off	**55,843**	346
	1,180,606	346

Geographical Segment

An analysis by geographical segment has not been presented as the Group's transactions outside Malaysia comprise less than 10% of the total revenue.

Major Customers

Revenue from three major customers amounting to approximately RM9,229,429 (2011 - RM10,372,000) arose from revenue generated from mobile applications.

31. CAPITAL COMMITMENT

	The Group And The Company	
	2012 RM	2011 RM
Contracted but not provided:		
- purchase of property	**1,585,968**	1,638,500

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year,

(i) the Company entered into a Sale and Purchase Agreement with a third party to acquire a unit of office suite which is under construction for a total consideration of RM1,470,800;

(ii) the Company disposed of its entire investment in an associate, Nexgen Studio Pte. Ltd. to a third party for a total consideration of Singapore Dollar 2;

(iii) the Company acquired 2 ordinary shares of RM1 each representing 100% of the equity interest in Wowloud Sdn. Bhd. for a total cash consideration of RM2; and

(iv) the Company acquired 2 ordinary shares of RM1 each representing 100% of the equity interest in Joors Asia Sdn. Bhd. for a total cash consideration of RM2.

33. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risks

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Swedish Krona. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The exposure to foreign currency risk is as follows:-

	The Group And The Company	
	2012 RM	2011 RM
Swedish Krona		
Other investment	**41,202**	41,202

Foreign currency risk sensitivity analysis

A 5% strengthening/weakening of the Ringgit Malaysia against the Swedish Krona respectively, as at the end of the reporting period would have an immaterial impact on profit after taxation. This assumes that all other variables remain constant.

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risks (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its interest-bearing borrowings. The Group's policy is to obtain the most favourable interest rate available.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 33(a)(iii) to the financial statements.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	The Group And The Company	
	2012 (Decrease)/ Increase RM	2011 (Decrease)/ Increase RM
Effects on profit after taxation		
Increase of 100 basis points (bp)	**(14,487)**	(4,156)
Decrease of 100 bp	**14,487**	4,156

(iii) Equity Price Risk

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

(ii) 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.

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

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.

Credit risk concentration profile

The Group's concentration of credit risk related to debts owing by two customers which constituted approximately 55% of its trade receivables as the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:-

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Malaysia	**2,009,039**	2,879,109	**518,014**	523,248
Sweden	**310,000**	310,000	**310,000**	310,000
	2,319,039	3,189,109	**828,014**	833,248

Ageing analysis

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

	Carrying Amount	
	2012 RM	2011 RM
Not past due	**1,819,436**	2,794,063
Past due:		
- less than 3 months	**157,597**	188,260
- 3 to 6 months	**32,006**	145,412
- more than 6 months	**310,000**	61,374
	2,319,039	3,189,109

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (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 Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due which are deemed to have higher credit risk, are monitor individually.

(iii) Liquidity Risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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 using contractual rates or, if floating, based on the rate at the end of the reporting period):-

	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
The Group					
2012					
Trade payables	**–**	**2,787,068**	**2,787,068**	**2,787,068**	**–**
Other payables and accruals	**–**	**498,467**	**498,467**	**498,467**	**–**
Term loans	**4.6**	**1,448,700**	**1,448,700**	**–**	**1,448,700**
		4,734,235	**4,734,235**	**3,285,535**	**1,448,700**
2011					
Trade payables	–	2,448,679	2,448,679	2,448,679	–
Other payables and accruals	–	346,656	346,656	346,656	–
Term loans	4.6	415,562	576,128	–	576,128
		3,210,897	3,371,463	2,795,335	576,128

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
The Company					
2012					
Trade payables	**–**	**2,082,044**	**2,082,044**	**2,082,044**	**–**
Other payables and accruals	**–**	**356,101**	**356,101**	**356,101**	**–**
Term loans	**4.6**	**1,448,700**	**1,448,700**	**–**	**1,448,700**
		3,886,845	**3,886,845**	**2,438,145**	**1,448,700**
2011					
Trade payables	–	2,256,485	2,256,485	2,256,485	–
Other payables and accruals	–	205,444	205,444	205,444	–
Term loans	4.6	415,562	576,128	–	576,128
		2,877,491	3,038,057	2,461,929	576,128

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their 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 the shareholders or issuing new shares.

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management (Cont'd)

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	THE GROUP 2012 RM
Trade payables	**2,787,068**
Other payables and accruals	**498,467**
Term loans	**1,448,700**
	4,734,235
Less: Short-term deposits with licensed banks	**(2,068,774)**
Less : Cash and bank balances	**(1,050,093)**
Net debt	**1,615,368**
Total equity	**6,395,370**
Debt-to-equity ratio	**0.25**

The debt-to-equity ratio of the Group for the previous financial year is not presented as its cash and cash equivalents exceeded the total debts.

Under the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Company is required to maintain its shareholders' equity equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) of the Company. The Company has complied with this requirement.

33. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification of Financial Instruments

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Financial Assets				
Available-for-sale financial assets				
Other investment	**41,202**	41,202	**41,202**	41,202
Loans and receivables financial assets				
Trade receivables	**2,319,039**	3,189,109	**828,014**	833,248
Other receivables, deposits and prepayments	**172,197**	124,908	**134,754**	108,388
Amount owing by subsidiaries	**–**	–	**2,570,084**	2,368,265
Short-term deposits with licensed banks	**2,068,774**	3,496,048	**2,014,252**	3,443,552
Cash and bank balances	**1,050,093**	1,758,498	**232,529**	878,631
	5,610,103	8,568,563	**5,779,633**	7,632,084
Financial Liabilities				
Other financial liabilities				
Trade payables	**2,787,068**	2,448,679	**2,082,044**	2,256,485
Other payables and accruals	**498,467**	346,656	**356,101**	205,444
Term loans	**1,448,700**	415,562	**1,448,700**	415,562
	4,734,235	3,210,897	**3,886,845**	2,877,491

Notes to the Financial Statement
for the financial year ended 31 December 2012 (cont'd)

33. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Values of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used to determine the fair values of the financial instruments:-

(i) 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;

(ii) The fair value of unquoted investments cannot be reliably measured using valuation techniques due to the lack of marketability of the shares; and

(iii) The carrying amounts of the term loans approximated their fair values as these instruments bear interest at variable rates.

(e) Fair Value Hierarchy

The fair values of the financial assets and liabilities are analysed into level 1 to 3 as follows:-

Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has other investment that is classified as available-for-sale financial assets at its fair values. This financial asset belongs to level 2 of the fair value hierarchy.

Supplementary Information

34. DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

The breakdown of the (accumulated losses)/retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total (accumulated losses)/ retained profits:				
- realised	**(5,283,392)**	(1,435,233)	**(2,103,470)**	76,085
- unrealised	**–**	–	**–**	–
At 31 December	**(5,283,392)**	(1,435,233)	**(2,103,470)**	76,085

PROXY FORM

Number of Shares Held

wireless
MNC Wireless Berhad
(635884-T)

I/We ______________________________(name as per NRIC, in capital letters)

NRIC No./Company No. ____________________ (new) ____________________ (old)

of ______________________________(full address) being a Member or Members of M N C WIRELESS BERHAD (635884 – T), hereby appoint *THE CHAIRMAN OF THE MEETING or

______________________________ (name of proxy as per NRIC, in capital letters)

NRIC/Passport No. ____________________ (new) ____________________(old) of

______________________________ (full address) and/or

______________________________(name of proxy as per NRIC, in capital letters) NRIC/Passport No.

____________________ (new) ____________________

(old) of ______________________________
(full address) or failing him/her, as my/our proxy(ies) to vote for me/us on my/our behalf at the Ninth Annual General Meeting of the Company to be held at Rafflesia 2, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 30 May 2013 at 9.30 a.m. and at any adjournment thereof, in the manner indicated below:-

Note: *If you wish to appoint any other person or persons other than the Chairman of the Meeting, please delete the words "THE CHAIRMAN OF THE MEETING".

No	RESOLUTIONS	FOR	AGAINST
1.	To re-elect the retiring Director, Datuk Lee Fook Long		
2.	To re-elect the retiring Director, Mr Lee Kam Chun		
3.	To re-appoint the retiring Director, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir		
4.	To approve the Directors' fees amounting to RM24,000.00 for the financial year ended 31 December 2012		
5.	To re-appoint Messrs Crowe Horwath, as Auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		
7.	Proposed renewal of the existing shareholders' mandate and proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.		
8.	Proposed amendments to the Articles of Association of the Company		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

____
Signature/Common Seal

Number of shares held: ____________________

Date: ____________________

Notes :

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 23 May 2013 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this Ninth Annual General Meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
3. A member may appoint up to three (3) proxies to attend at the same meeting. Where a member appoints more than one (1) proxy, the proxies shall not be valid unless the member specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointer is a corporation, under its common seal or under the hand of its attorney duly authorised.
6. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office at Unit 621, 6th Floor, Block A, Kelana Centre Point, No. 3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.

fold this flap for sealing

Then fold here

Affix
Stamp

The Company Secretary
MNC WIRELESS BERHAD (635884-T)
Unit 621, 6th Floor, Block A,
Kelana Centre Point, No. 3, Jalan SS7/19,
Kelana Jaya, 47301 Petaling Jaya

1st fold here

M N C Wireless Berhad (635884-T)

A-3-3, Block A, Jaya One, No. 72A Jalan Universiti, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
Tel: +603 7955 9448 **Fax:** +603 7955 9148

Website: www.mnc.com.my