



M3 TECHNOLOGIES (ASIA) BERHAD
(482772-D)



The World in the Palm of your Hand

Annual Report 2009



M3 TECHNOLOGIES (ASIA) BERHAD
(482772-D)

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BOARD OF DIRECTORS

Dato' Ahmad Kabeer bin Mohamed Nagoor
Chairman, Non-Independent Non-Executive Director

Lim Seng Boon
Managing Director

Chew Shin Yong, Mark
Executive Director

Lester Ratnakumar Neil Francis
Executive Director cum Group Chief Operations Officer

Krishnan Menon
Independent Non-Executive Director

Mohamad Najeb bin Ali
Independent Non-Executive Director

Lim Kooi Siang
Independent Non-Executive Director

Lim Keong Yew
Independent Non-Executive Director

AUDIT COMMITTEE

Lim Kooi Siang
Independent Non-Executive Director, Chairman

Mohamad Najeb bin Ali
Independent Non-Executive Director

Krishnan Menon
Independent Non-Executive Director

NOMINATION COMMITTEE

Krishnan Menon
Independent Non-Executive Director, Chairman

Mohamad Najeb bin Ali
Independent Non-Executive Director

Lim Kooi Siang
Independent Non-Executive Director

REMUNERATION COMMITTEE

Krishnan Menon
Independent Non-Executive Director, Chairman

Mohamad Najeb bin Ali
Independent Non-Executive Director

Lim Kooi Siang
Independent Non-Executive Director

COMPANY SECRETARIES

Tea Sor Hua (MACS 01324)
Chan Bee Fang (MAICSA 7032385)

PRINCIPAL BANKERS

Malayan Banking Berhad

AUDITORS

ERNST & YOUNG
Chartered Accountants

CORPORATE OFFICE

Unit 707 & 1007, Block A
Pusat Dagangan Phileo II
15 Jalan SS 16/11
46350 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: 603-7995 1101
Fax: 603-7995 1103

HEAD OFFICE

Level 32, Tower 2
Kuala Lumpur City Centre
50088 Kuala Lumpur, Malaysia
Tel: 603-2161 1101
Fax: 603-2168 8836

REGISTERED OFFICE

Third Floor, No. 79 (Room A)
Jalan SS 21/60, Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: 603-7728 4778
Fax: 603-7722 3668

SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.
Suite 18.05 MWE Plaza
No. 8 Lebuhr Farquhar
10200 Penang, Malaysia
Tel: 604-263 1966
Fax: 604-262 8544

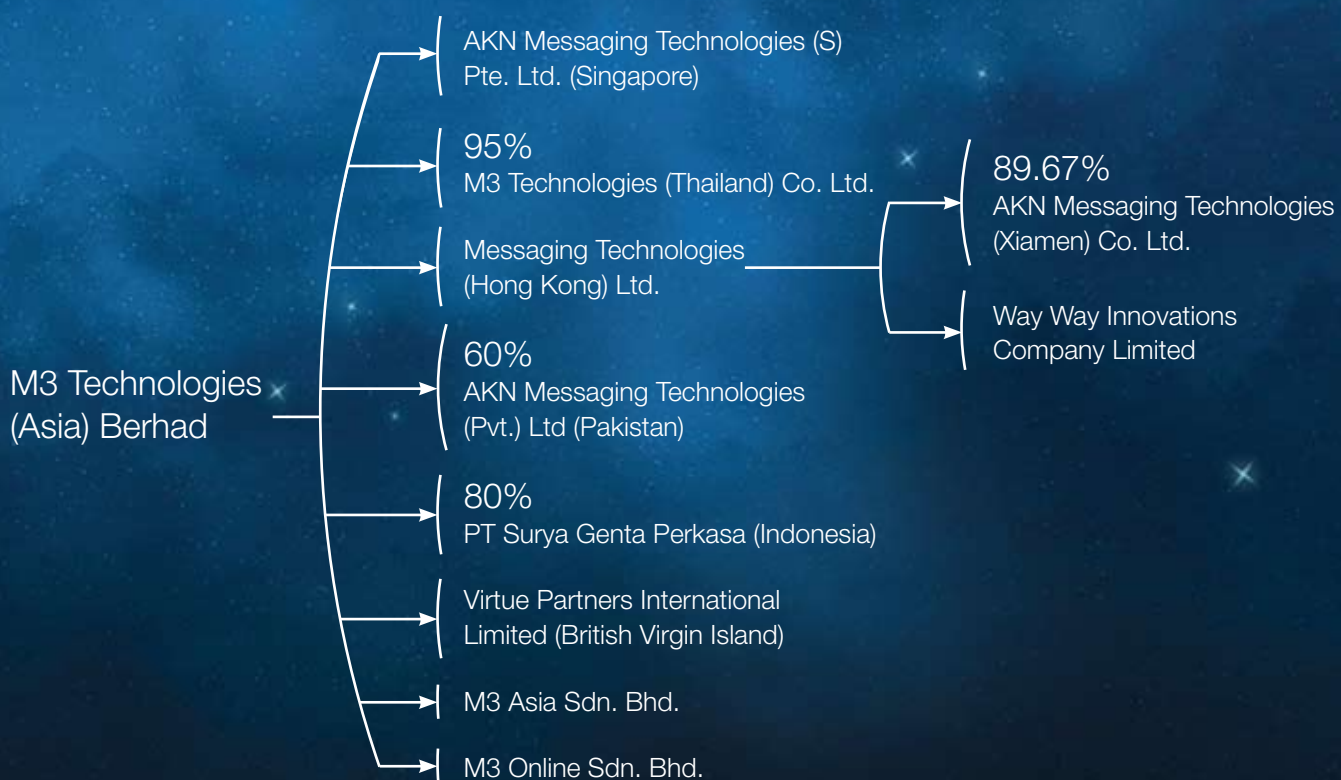
STOCK EXCHANGE

Bursa Malaysia Securities Berhad
(ACE Market)

LISTING

Stock Name: M3TECH
Stock Code: 0017

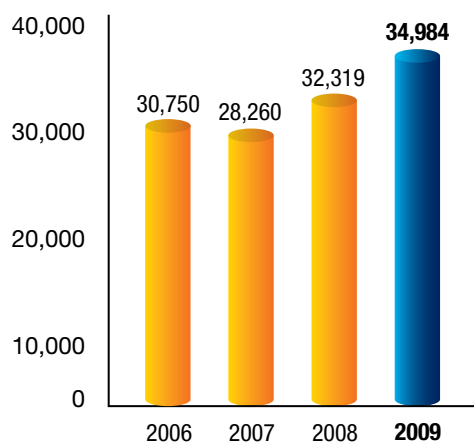
CORPORATE STRUCTURE



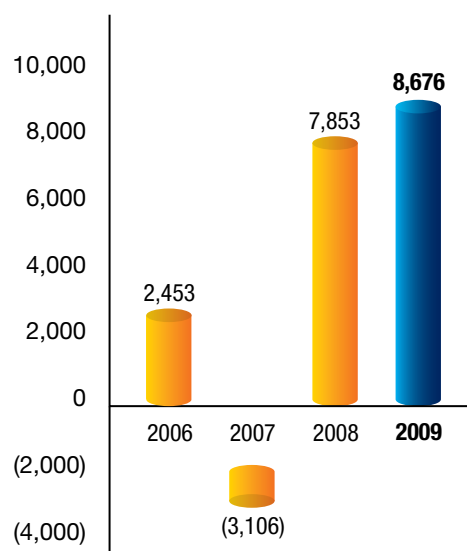
Unless otherwise stated, 100% owned

| | 30/6/2006 '06 RM'000 | 30/6/2007 '07 RM'000 | 30/6/2008 '08 RM'000 | 30/6/2009 '09 RM'000 |
|---------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Turnover | 30,750 | 28,260 | 32,319 | 34,984 |
| Profit/Loss Before Tax | 2,453 | (3,106) | 7,853 | 8,676 |
| Paid-up Share Capital | 16,352 | 16,352 | 16,352 | 16,352 |
| Net Tangible Assets (NTA) | 32,512 | 25,775 | 28,780 | 31,128 |

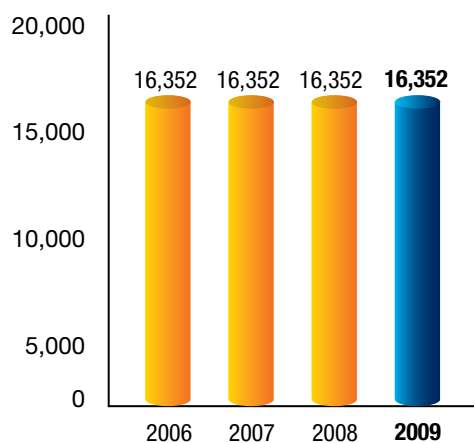
TURNOVER



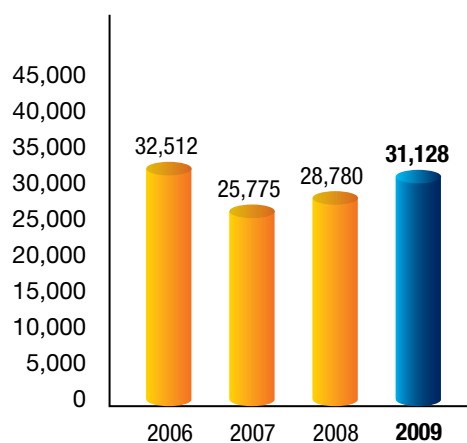
PROFIT / (LOSS) BEFORE TAX



PAID-UP SHARE CAPITAL



NET TANGIBLE ASSETS (NTA)



DIRECTORS' PROFILE

DATO' AHMAD KABEER BIN MOHAMED NAGOOR



Dato' Ahmad Kabeer bin Mohamed Nagoor, a Malaysian aged 52, is the Non-Independent Non-Executive Chairman of the Company and was appointed to the Board on 18 January 2000. He graduated with a Master's Degree in Finance from the University of St. Louis, Missouri, USA in 1986. He started his career with the Bank of Nova Scotia in 1986 in the foreign exchange division before becoming a lecturer at the School of Management, University Sains Malaysia from 1988 to 1994.

Dato' Ahmad Kabeer bin Mohamed Nagoor is the Executive Chairman of AKN Technology Berhad as well as Non-Executive Chairman of Mems Technology Berhad and Scicom (MSC) Berhad. He is also a Non-Executive Deputy Chairman of AWC Berhad and a Director of Yayasan AKN.

Lim Seng Boon, a Malaysian aged 52, is the Managing Director and founder of the Company. He was appointed to the Board on 11 June 1999. He is also a substantial shareholder of the Company. He possesses over 20 years of experience in the computer/information technology industry, both locally and abroad. His experience ranges from computers to system integration, network implementation and the development of the business applications. In 1984, he established World Value Sdn. Bhd., a company dealing with computer hardware and systems integration.

He was also the key person responsible for the establishment of Multisoft Business Systems Sdn. Bhd., a company which has developed numerous business applications software focusing on the concept of messaging through the internet. He has established numerous ties with local and foreign corporations, namely Advox of Sweden, Infinite Technology of the USA, Microsoft Malaysia, EasyCall Malaysia and Celcom Berhad. He was solely responsible for the successful alliance between Advox's technology in messaging and EasyCall pagers in January 1999.

LIM SENG BOON



Krishnan Menon, a Malaysian aged 59, is an Independent Non-Executive Director of the Company and was appointed to the Board on 19 June 2002. On 1 October 2009, he was re-designated from a Non-Independent Non-Executive Director to an Independent Non-Executive Director of the Company. He is a member of the Audit Committee and Chairman for both the Nomination Committee and Remuneration Committee of the Company.

He is a Fellow of the Institute of Chartered Accountants in England & Wales, and also a member of the both Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

He spent 13 years in public practice at Hanafiah Raslan and Mohamad, seven of those years as a Partner. He then joined Public Bank Berhad as a General Manager, and was subsequently promoted to Executive Vice-President. After working with two public-listed companies, he joined Putrajaya Holdings Sdn. Bhd. between 1997 and 2000 as a Chief Operating Officer.

His other directorships include MISC Berhad, SPK Sentosa Corporation Berhad, Scicom (MSC) Berhad, UBG Berhad, Putrajaya Perdana Berhad (of which he is currently the Chairman of the Board) and Putrajaya Holdings Sdn. Bhd.



KRISHNAN MENON



MOHAMAD NAJEB BIN ALI

Mohamad Najeb bin Ali, a Malaysian aged 45, was appointed as an Independent Non-Executive Director of the Company on 2 April 2003. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He graduated with a Diploma in Quantity Surveying from Federal Institute of Technology Kuala Lumpur.

He possesses 12 years of experience in business management as a Managing Director. Currently, he is also a Director of AKN Technology Berhad.

LESTER RATNAKUMAR NEIL FRANCIS



Lester Ratnakumar Neil Francis, a Malaysian aged 39, was appointed to the Board on 27 May 2008 as an Executive Director and Group Chief Operations Officer of the Company. Mr. Francis graduated with a Bachelor of Applied Science Degree from Victoria University of Technology, Australia in 1992. Upon his return to Malaysia, Mr Francis has been actively involved in the development of the local fitness industry and the management of health & fitness facilities.

Mr. Francis was previously the General Manager of Dataco (M) Sdn. Bhd., a leading, licensed Service Provider for Premium Rate Audiotex/Interactive Voice Response services. He was also actively involved in the TV production arm of Dataco, and acted as the Production Manager for all the company's production efforts. He was at Dataco from 1997 - 1999 before he moved to M3 Technologies (Asia) Berhad ("M3Tech") upon its incorporation.

His main responsibilities as the Group Chief Operations Officer and Executive Director are to maximise the shareholder's wealth, focusing on improving the Group's operational efficiency, performance & business development strategies and charting the future growth and direction of the Group regionally.

His experience in the industry for the past 9 years has proven invaluable in M3Tech's growth locally and regionally.

Chew Shin Yong, Mark, a Singaporean aged 41, was appointed to the Board on 27 February 2008 as an Executive Director of the Company. Mr. Chew graduated from Kingston University in the UK with a Bachelor of Science Degree in Computer Information Systems Design in 1996. He then obtained a Master's Degree in Business Administration from the University of Surrey, also in the UK. In 1997, Mr. Chew joined Malahon Group of companies in their stock-broking division as the Managing Director, and is a registered dealer with the Stock Exchange of Hong Kong (now known as Hong Kong Exchanges) and the Securities and Futures Commission of Hong Kong. He currently sits on the Board of Malahon Group of companies and is actively involved in all aspects of the Group's businesses, comprising mainly of stock-broking, finance, property and general investments.

He was also responsible for setting up the subsidiary, Messaging Technologies (H.K.) Limited and is involved in it's daily operations.

CHEW SHIN YONG, MARK



Lim Kooi Siang, a Malaysian aged 58, was appointed to the Board on 27 November 2007 as an Independent Non-Executive Director of the Company. She is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company.

She is a Fellow of the Association of Chartered Certified Accountants, UK, as well as member of the Malaysian Institute of Accountants and the Institute of Chartered Secretaries & Administrators, UK.

She has more than 34 years of experience in taxation and is a tax agent approved by the Ministry of Finance, Malaysia. Currently, she is also an Independent Non-Executive Director of AKN Technology Berhad.



LIM KOOI SIANG



LIM KEONG YEW

Lim Keong Yew, a Malaysian aged 31, was appointed to the Board on 19 February 2009 as an Independent Non-Executive Director of the Company.

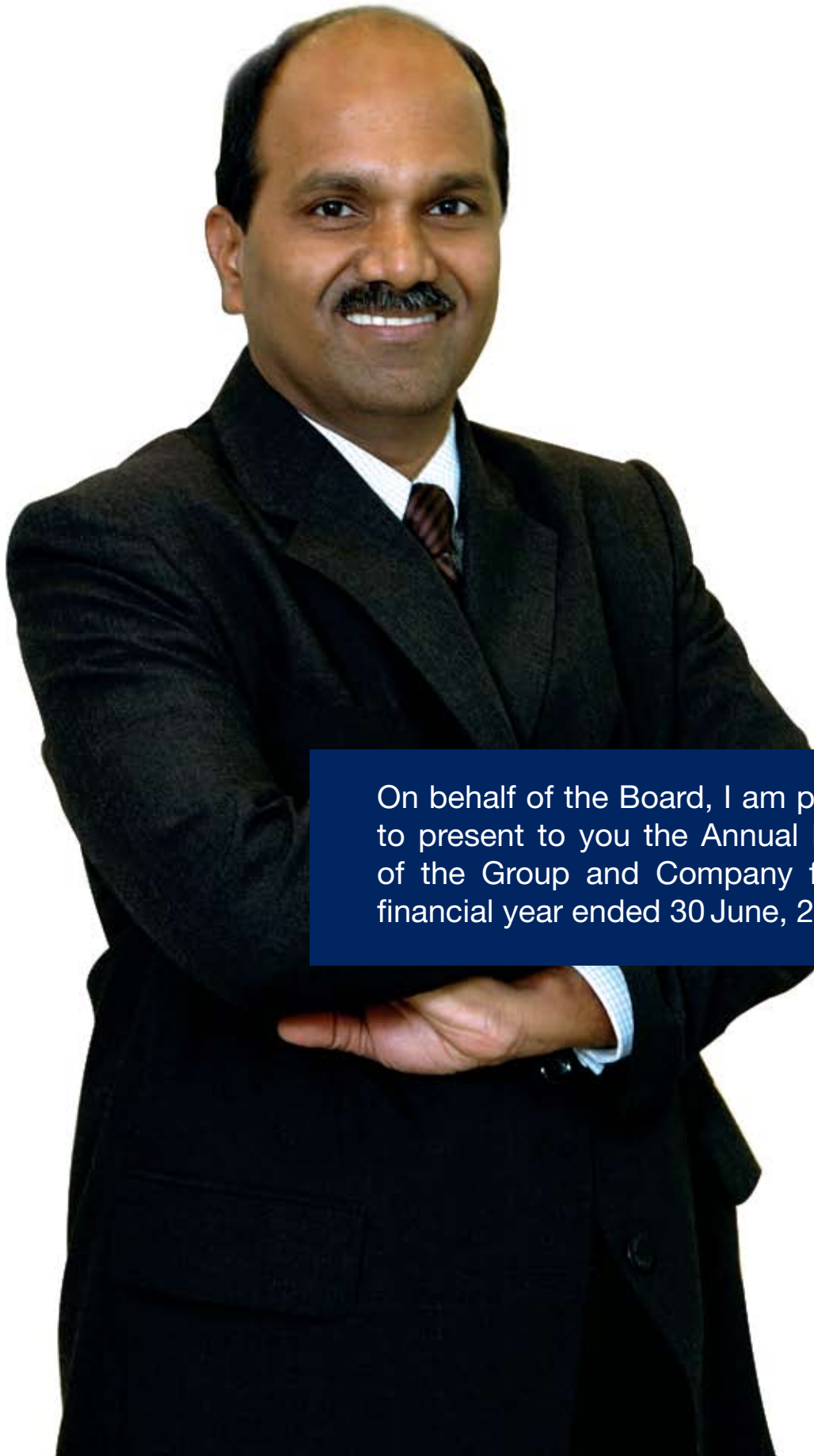
He graduated from Queen Mary and Westfield College, University of London with a Bachelor of Science Degree in Computer Science and subsequently attended City University for a course in Business Computing Systems.

He began his career with Glaxo Wellcome at the London Headquarters as a Project Manager, supporting drug discovery through computer technology. In 2000, Mr. Lim was invited aboard by VXL Holdings, a boutique investment firm in Malaysia. He began his exposure to North Asia when he lived and worked in China. Over this 3-year period, VXL successfully invested in and restructured companies in Malaysia, Beijing, Shanghai and Hong Kong. Major clients and partners include Dataprep Holdings Bhd., the Shanghai Municipal Council's technology investment company; the State Administration of Radio, Film and Television (SARFT) of China; China Railcom; China Netcom; China Unicom.

He currently heads the Slingshot Group of Companies based in Hong Kong, with a focus on value and growth companies and holding strategic investments around the world.

Note:

1. None of the above Directors have family relationships with any Directors or major shareholders except for Mr. Lim Seng Boon who is the spouse of Madam Goh Lee Lang, a substantial shareholder of the Company.
2. None of the above Directors have any personal interest in any business arrangement involving the Company and all the Directors have had no convictions for offences other than traffic offences in the past 10 years.



On behalf of the Board, I am pleased to present to you the Annual Report of the Group and Company for the financial year ended 30 June, 2009.

REVIEW OF OPERATIONS AND FINANCIAL HIGHLIGHTS

For the financial year ended 30 June 2009, the Group recorded revenue of RM 35.0 million and a net profit after tax of RM6.20 million as compared to a revenue of RM32.3 and a net profit after tax of RM5.60 million recorded in the previous financial year. The improved performance is principally due to increase in revenue of the Group.

The Malaysia operations recorded an increase in revenue of 12% while the overseas operations continued to excel with a significant increase of 6%, mainly contributed by Thailand, Pakistan and Xiamen.

The increase in revenue comes from the various proactive efforts explored by the Group in 2008, to pursue commercial models and business opportunities outside the standard realm of its conventional products. This included partnerships with media companies, i.e. radio stations, providing turn-key solutions to enterprise products, as well as venturing into other platforms such as 3G Video Calls, Interactive Voice Response (IVR) and other related services. Also, there has also been a steady growth of revenue recognized from M3 Technologies (Asia) Berhad's ("M3Tech") online initiative via its wholly owned subsidiaries M3 Asia Sdn. Bhd ("M3Asia") and M3 Online Sdn. Bhd. ("M3Online").

The Group is geared towards continuing this positive momentum into financial year ending 30 June 2010 ("FY2010").

CORPORATE DEVELOPMENTS

M3 Online was incorporated earlier this year to act as a technology provider for online related products and services. Its main business is to develop, continuously enhance and manage e-Commerce payment gateway(s), online platforms and web storefronts.

M3 Asia was incorporated to manage the acquisition and distribution of products which are retailed on the above mentioned online store, as well as via a vast network of wholesalers, dealers and partners. The products currently in focus are GPS and Personal Navigational Devices. M3Asia has acquired the exclusive distribution rights for a number of such devices, namely Papago R5800, Altina A1130, Altina A8010, WayWay Q3501 and WayWay Q4301. These rights acquired cover most of the regions in the countries where M3Tech is present.

Currently, these initiatives can be seen via www.M3Shoppe.com.

DIVIDENDS

An interim dividend of 10% (tax exempt) for the financial year ended 30 June 2009 was announced on 25 February 2009 and subsequently paid on 8 April 2009 to the depositors who were registered in the Record of Depositors of the Company as at the close of business on 18 March 2009.

The Board has proposed a final tax-exempt dividend of 10% in respect of the financial year ended 30 June 2009 for the shareholders approval during the forthcoming Annual General Meeting.

INDUSTRY TRENDS AND DEVELOPMENTS

The Malaysian mobile environment is considered vibrant, with new services expected to continue to be introduced. Similar to that being experienced around the world, a whole range of Web based, Java applications and other services seem to be converging, and are taking off to establish themselves as new, viable business models.

The subscriber growth in Malaysia remains moderate, with the current number estimated at approximately 28 million – almost 100% penetration. The average user continues to indulge mostly in SMS, WAP and Java based products, with 3G services such as "Mobile TV" still, unfortunately failing to attract the masses.

Many new devices have been introduced to encourage subscribers to indulge in more enhanced and "rich" content and services, such as mobile internet browsing, which inevitably generates traffic on mobile sites and the consumption of related products online, instead of via the conventional SMS requests.

Mobile number portability (MNP) has indeed caused many to switch networks, hence forcing operators to improve connectivity and product offerings.

The growth potential in other regions on M3Tech's footprint remains extremely positive. Even though there have been some political and financial instability in certain countries, namely Pakistan, we have however seen significant improvements which we believe will carry forward into FY2010.

The growth in both mobile as well as our new initiatives under M3Asia and M3Online is geared to provide ample room for further exploitation and increase in revenue streams to enhance the company's performance in the financial year ahead.



FUTURE OUTLOOK

We still expect the basic mobile services; particularly our B2B and B2C products using SMS and WAP to continue to be the primary source of our income. However, moving forward, the Group's efforts have been on focusing to enhance the end user's mobile experience via products on Navigation and Positioning.

Mobile Advertising is another key channel which will be continuously nurtured and grown internally as we have seen many FMCG entities starting to use our platform and products for various marketing and promotional efforts. In short, the Mobile Value Added Services (VAS) still has much room for positive growth in the region.

More importantly, the Group believes its new initiative in GPS products and online e-commerce services via M3Asia and M3Online will in fact positively contribute to FY2010's revenue – as we replicate its operations across the other countries within our current footprint.

With all of these on-going efforts, barring any unforeseen circumstances, the Group is geared towards achieving a better, commendable performance in FY 2010.

CORPORATE SOCIAL RESPONSIBILITY

The Group views Corporate Social Responsibility (CSR) as a continuing commitment by the business to behave ethically and contribute to economic and social development while improving the quality of workforce, stakeholders' value and the local community at large.

The Group has participated in various corporate events in support of various charities throughout the year and will continue to do so in the future.

BOARD CHANGES

YAM Tengku Mohammad Fakhry resigned as a Director of the Company on 1 October 2009. On behalf of the Board, I would like to express our gratitude and sincere appreciation for his past services rendered. Mr. Lim Keong Yew was appointed to the Board on 19 February 2009.

APPRECIATION

On behalf of the Board of Directors, I wish to extend my sincere gratitude and appreciation to members of our management team and staff for their hard work, commitment and loyalty.

I also wish to record our gratitude and thanks to our customers, suppliers, business associates, bankers, government authorities and most importantly, our shareholders for their support and confidence in the Group.

DATO' AHMAD KABEER BIN MOHAMED NAGOOR
Chairman

The Board of Directors of the Company ("Board") is committed to the principles of the Malaysian Code on Corporate Governance ("the Code") and strives to adopt the prescriptions of the Code.

The Board has continued its commitment in maintaining high standards of corporate governance and the effective application of the principles and best practices, as set out in the Code, throughout the Group.

The Board recognises that the practice of good corporate governance is fundamental in this era of globalisation where corporate climate calls for enhancement of shareholders' value, alongside safeguarding the interest of shareholders and stakeholders of the Company.

The Board is pleased to state and affirm the means and manner which the Group has applied the principles, and state the extent to which the Group has complied with the Best Practices of the Code during the financial year under the review.

A. THE BOARD

The Board is entrusted with the proper stewardship of the Company's resources for the best interest of its shareholders and also to steer the Group towards achieving the maximum economic value possible. The members of the Board have extensive experience and expertise in a wide range of related and unrelated industries and have been selected based on their skills, knowledge and their ability to add strength to the leadership.

The Directors are equally accountable for the Company's activities, strategy and financial performance. Particular attention is given to ensure that the strategies proposed by the Management of the Company are fully discussed and critically examined by the Board.

Composition and Balance of the Board

The strength of the Board lies in the composition of its members, who has a wide range of expertise, extensive experience and diverse background in business, finance and technical knowledge.

The current Board has eight (8) members comprising three (3) Executive Directors, one (1) Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors. This composition complies with Rule 15.02 of the Bursa Malaysia Securities Berhad ("Bursa Securities") ACE Market Listing Requirements wherein it states that at least two (2) or one third (1/3) of the Board of Directors of a listed company, whichever is higher, are Independent Directors. The profile of each Director is presented separately in the annual report.

Dato' Ahmad Kabeer bin Mohamed Nagoor is the Group's Non-Independent Non-Executive Chairman while Mr. Lim Seng Boon is the Group's Managing Director. The Chairman is responsible for the Board's effectiveness and conduct, whilst the Managing Director has overall responsibilities over the business and operation of the Group. The clear division of functions and responsibilities between these two roles will ensure a balance of power and authority.

Non-Executive Directors play a crucial supervisory function. The presence of Independent Non-Executive Directors are essential in providing unbiased and independent views, advice and judgement, ensuring a balanced and impartial board decision making process, as well as safeguarding the interests of other parties, such as minority shareholders. All Non-Executive Directors do not participate in the day-to-day management of the Group.

Board Responsibilities

The Board provides overall strategic direction and effective control of the Company. The Board has reserved appropriate strategic, financial and organisational matters for its collective decision. Key matters, such as approval of annual and interim results, acquisitions and disposals of material investment, material agreements, major capital expenditures, budgets, long term plans and succession planning for top management are reserved for the Board.

The Board Meetings

Board meetings are held quarterly with additional meetings held when necessary. The Board met four (4) times during the financial year ended 30 June 2009.

A. THE BOARD (cont'd)**The Board Meetings** (cont'd)

The meeting attendance record of the Directors is as follows:

| Directors | Meeting Attendance |
|---|---------------------------|
| Dato' Ahmad Kabeer bin Mohamed Nagoor | 4/4 |
| Lim Seng Boon | 4/4 |
| Lester Ratnakumar Neil Francis | 4/4 |
| Chew Shin Yong, Mark | 4/4 |
| Krishnan Menon | 2/4 |
| Mohamad Najeb bin Ali | 4/4 |
| Lim Kooi Siang | 4/4 |
| Lim Keong Yew (appointed on 19 February 2009) | 2/2 |
| YAM Tengku Muhammad Fakhry Petra Ibni Sultan Ismail Petra (Resigned on 1 October 2009) | 2/4 |

Board Committees

As appropriate or whenever required as provided by the Article of Association, the Board has delegated certain responsibilities to the Board Committees, which operate within clearly defined terms of reference. The Board Committees are:

a. Audit Committee

The composition, terms of reference and a summary of the activities of the Audit Committee are set out separately in the Audit Committee Report as laid out on pages 21 to 24 of this Annual Report.

b. Nomination Committee

The role of the Nomination Committee is to review annually the required mix of skills, experience and other qualities of the Directors and to recommend new appointment, if any, to the Board.

The Nomination Committee was set up on 25 February 2009 and the members of the Nomination Committee comprises the following:

- Krishnan Menon (Chairman, Independent Non-Executive Director)
- Mohamad Najeb bin Ali (Member, Independent Non-Executive Director)
- Lim Kooi Siang (Member, Independent Non-Executive Director)

c. Remuneration Committee

The Remuneration Committee is responsible for the formulation of remuneration policy such as rewards and benefits and other terms of employment of the Executive Director.

The Remuneration Committee was set up on on 25 February 2009 and the members of the Remuneration Committee comprises the following:

- Krishnan Menon (Chairman, Independent Non-Executive Director)
- Mohamad Najeb bin Ali (Member, Independent Non-Executive Director)
- Lim Kooi Siang (Member, Independent Non-Executive Director)

A. THE BOARD (cont'd)**Supply of Information to the Board**

Prior to each Board meeting, notice of meetings, setting out the agenda and accompanied by the relevant Board reports and documents are provided to the Directors on a timely manner to allow the Directors to peruse, obtain additional information and where applicable, seek further clarification on the matters to be tabled at the meeting.

Where applicable, there will be a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and budgets, acquisitions and disposals of major investments, change of management and control structure of the Group, including key policies, procedures and authority limits.

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

Directors have access to all information within the Company whether as full board or in their individual capacity, in furtherance of their duties. In addition, whenever independent professional advice is required by the Directors, outside experts may be engaged at the Company's expense. Before incurring such professional fees, the Director concerned must consult with the Chairman, or with two (2) other Directors (one who is a Non-Executive Director). Such advice was not sought by any of the Directors for the financial year under review.

Directors also have direct access to the advice and the services of the Group's Company Secretary. The Board is advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities as well as appropriate procedures for management of meetings.

Appointments of the Board and Re-election

The Board is appointed in a formal and transparent practice as endorsed by the Code. The Nomination Committee will make recommendations or the Board will go through this entire process on its own. The Company Secretary will ensure that all appointments are properly made and that all legal and regulatory obligations are met.

In accordance with the Articles of Association of the Company, at least one third 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' Training

All Directors have attended the Mandatory Accreditation Programme ("MAP") as required by Bursa Securities on all directors of listed companies.

The Directors are encouraged to and, in accordance with their respective needs, attend briefings, seminars and other continuing education programmes to keep abreast with current developments in the industry as well as changes in laws and regulations.

A. THE BOARD (cont'd)**Directors' Training** (cont'd)

Seminars and conference attended by Directors during the financial year ended 30 June 2009 are as follows:

| Directors | Programme |
|---------------------------------------|---|
| Dato' Ahmad Kabeer bin Mohamed Nagoor | <ul style="list-style-type: none"> • PLCs Forum on Corporate Governance Best Practices |
| Lester Ratnakumar Neil Francis | <ul style="list-style-type: none"> • Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies |
| Chew Shin Yong, Mark | <ul style="list-style-type: none"> • Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies |
| Krishnan Menon | <ul style="list-style-type: none"> • Workshop on "Global Strategic Risk Management for Corporate Directors" • Directors' Training on: <ul style="list-style-type: none"> - Representations and Warranties - Cross Border Acquisitions/Deal Structuring • 3rd Petronas BAC Forum 2009 |
| Mohamad Najeb bin Ali | <ul style="list-style-type: none"> • PLCs Forum on Corporate Governance Best Practices |
| Lim Kooi Siang | <ul style="list-style-type: none"> • National Tax Conference 2008 • National Seminar on Taxation 2008 • The 2009 Budget & Tax Issues - The Changes, Challenges, & Latest Updated • Taxation Seminar 2009 • Bursa Malaysia Business Conference 2008 • High Level Forum for Directors of Listed Issuers in enhancing Corporate Governance |
| Lim Keong Yew | <ul style="list-style-type: none"> • Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies |

Mr. Lim Seng Boon has not attended any trainings during this financial year. However, he has kept himself abreast on financial and business matters through readings to enable him to contribute to the Board.

The Directors will continue to attend other relevant training programmes as appropriate to enhance their skills and knowledge.

B. DIRECTORS' REMUNERATION**Remuneration Policy and Procedures**

The Remuneration Committee recommends to the Board the remuneration framework and remuneration package of the Executive Directors. The level of remuneration reflects the experience, responsibilities, contribution and performance by each individual director. The determination of the fees of the Non-Executive Directors is decided by the Board as a whole.

Directors' fees which are subject to shareholders' approval are payable only to Non-Executive Directors. For the year ended 30 June 2009, the Board proposed a fee of RM18,000 for each Non-Executive Director. In addition, the Board also proposed to pay additional fees of RM6,000 to the Chairman of the Board and the Chairman of the Audit Committee respectively.

B. DIRECTORS' REMUNERATION (cont'd)**Remuneration Policy and Procedures** (cont'd)**Directors' Remuneration**

Details of the Directors' remuneration for the financial year under review are as follows:

| | Salary RM'000 | Bonus RM'000 | Fee RM'000 | Total RM'000 |
|-------------------------|------------------|-----------------|---------------|-----------------|
| Executive Directors | 643 | 13 | – | 656 |
| Non-Executive Directors | – | – | 112 | 112 |
| Total | 643 | 13 | 112 | 768 |

The Directors, whose remuneration falls within the following bands are as follows:

| Range | Executive | Non-Executive |
|-----------------------|-----------|---------------|
| Below RM50,000 | 1 | 6 |
| RM50,000 - RM100,000 | – | – |
| RM100,001 - RM150,000 | – | – |
| RM150,001 - RM200,000 | – | – |
| RM200,001 - RM250,000 | 2 | – |

The detailed remuneration of each Director is not disclosed as the information is sensitive and confidential.

C. SHAREHOLDERS**Shareholders and Investors Relations**

The Board acknowledges its role in representing and promoting the interests of shareholders, and its accountability to shareholders for the performance and activities of the Group. Regular briefings and discussions sessions with analysts and investors were held by the Managing Director. The Group has also conducted analysts briefing with fund managers and potential investors.

The Group recognises the importance of timely and thorough dissemination of information to shareholders. In this regard, the information that is disseminated to the investment community conforms strictly with the Bursa Securities disclosure rules and regulations. Care is taken to ensure that no market sensitive information such as corporate proposals, financial results and other material information is disseminated to any party without first making an official announcement through Bursa Securities.

The annual report has comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide investors with financial information.

Annual General Meeting

The Annual General Meeting ("AGM") is a crucial mechanism and it is the principal forum in shareholder communication. Shareholders are notified of the meeting and provided with a copy of the Company's annual report twenty one (21) days before the meeting. At each AGM, the Board presents the progress and performance of the Company and provides shareholders with an opportunity to ask for more information pertaining to the financial statements, without limiting the time and questions asked.

During the AGM, the Chairman and Board will respond to queries and undertake to provide sufficient explanation and clarification on issues and concerns raised by the shareholders.

The Board has ensured that each item of special business included in the notice of the AGM is accompanied by a full explanation of the effects of the proposed resolution to facilitate full understanding and evaluation of the issues involved.

Where Extraordinary General Meeting are held to obtain shareholders' approval on business or corporate proposals, comprehensive circulars are sent to shareholders within prescribed deadlines in accordance with regulatory and statutory provisions.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is aware of its responsibilities to the shareholders and the requirements to present a balanced and comprehensive assessment of the Group's financial position, by means of the annual and quarterly report and other published information. In this regard, the Board is primarily responsible to present a fair and balanced report of the financial affairs of the Group, which is prepared in accordance with the Companies Act, 1965 and the approved accounting standards set by the Malaysian Accounting Standards Board.

With assistance from the Audit Committee, the Board scrutinised the financial aspect of the Audited Financial Statements and reviewed the statutory compliance aspects of the Audited Financial Statements.

Internal Control

The Board acknowledged its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and Group's assets. The Statement on Internal Control is set out on pages 19 to 20 of the annual report providing an overview of the state of internal controls within the Group.

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 has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors.

During the financial year, the Audit Committee also met up twice with the External Auditors without the presence of any executive Board members and Management.

E. STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. Apart from the above disclosure, the Board considers that it has complied throughout the financial year with the Best Practices as set out in the Code.

This statement of internal control has been prepared in compliance to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") ACE Market Listing Requirements.

RESPONSIBILITY OF THE BOARD

The Board acknowledges its overall responsibility in maintaining a sound system of internal controls (including systems for compliance with applicable laws, regulations, rules, directives and guidelines) to safeguard shareholders' investments and the Group's assets and for reviewing the effectiveness, adequacy and integrity of these systems. The Board also recognises that a sound system of internal controls is a concerted and continuing process, designed to reduce rather than eliminate the risk of failure in achieving the business objectives. It therefore provides reasonable assurance but not absolute assurance that the Group will not be hindered in achieving its business objectives.

Following the publication of the Statement on Internal control: Guidance for Directors of Public Listed Companies ("the Internal Control Guidance"), the Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group, that has been in place for the financial year and up to the date of approval of the annual report and financial statements, and that this process is regularly reviewed by the Board and accords with the Internal Control Guidance.

RISK MANAGEMENT FRAMEWORK

The Executive Directors with the assistance of the senior management and internal auditors undertook to identify, evaluate, monitor and manage the principal business risks that affecting the day-to-day operations of the Group. To facilitate the risk identification and evaluation, a checklist was developed and senior management were required to identify controls which could mitigate such risks and make appropriate assessment of any impact of such risks may have. The risks assessed were categorised under market & environment, financial, reporting and planning, process, information technology security, customer and integrity of employees. Regular review by the Board will be conducted on a yearly basis with additional reviews to be carried out as and when required.

CONTROL STRUCTURE AND ENVIRONMENT

The Board is fully committed to ensure that a proper and conducive control environment is maintained within the Group to govern the manner in which the Group and its employees conducting themselves. The key elements of internal controls are:

Independence of the Audit Committee

The Audit Committee comprises of all Independent Non-Executive Directors and they have varied experience and qualification. The Audit Committee has full access to both the internal as well as external auditors.

The Audit Committee, on behalf of the Board, considers the effectiveness of the operation of internal control procedures in the Group during the financial year. The Audit Committee reviews internal control issues identified by the internal auditors, external auditors and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control system. It also conducts a review of the internal audit functions with emphasis on the scope of audits, quality and independence of the internal auditors.

Organisation structure with defined roles and responsibilities

Terms of reference for the Chairman, Managing Director and the Board Committees are clearly defined while job functions for the management and employees in the Group have also been streamlined to provide well-defined roles and responsibilities. The above will ensure proper division and segregation of duties and responsibilities.

Documented policies and procedures

Policies and control procedures which are developed by the senior management are also reviewed by the internal auditors for assessment of the effectiveness and adequacies of the internal control. They are updated regularly and distributed to all employees for their compliance and reference.

CONTROL STRUCTURE AND ENVIRONMENT (cont'd)

Authority Limits

The limits of authority determine the respective levels of authority which are delegated to the employees of the respective levels to enable control of the Group's commitment of both capital and operational expenditure. The limits of authority were approved and updated regularly by the senior management together with the Executive Directors.

All major investments and projects are subject to proper due diligence review before being presented by the Executive Directors to the Board for its consideration and approval.

Financial and operational information

Financial and operational information are prepared monthly for the Executive Directors' review. This will ensure a close monitoring of the performance of the Group and rectification measures can be taken promptly if there is any discrepancies and deviation from the plans.

The annual budgets which contain financial and operating targets, capital expenditure proposals and performance indicators, are reviewed and approved by the Executive Directors together with the senior management before being presented to the Board for final review and approval.

MONITORING AND REVIEW

The Board has developed a monitoring and reporting process to continuously evaluate and monitor the significant risks in a formalised manner, which entail establishing procedures for reporting and monitoring for risks and controls. Regular reviews will be conducted with additional reviews as and when required.

Performance monitoring and review

Monthly performance reports are provided regularly and promptly to the Executive Directors for their review and assessment while the Board receives and discuss the quarterly reports on the financial results, business development and other corporate matters during the quarterly Board meeting.

Monitoring Controls

The Group has an internal audit function whose primary responsibility is to provide an independent evaluation, enabling continual improvement in the processes and controls and to independently assure the board, through the Audit Committee, that the internal control procedures and policies are complied with and functioned as intended. Annual internal audit plan is presented to the Audit Committee for approval.

Internal Audit Division submits audit reports periodically for the Audit Committee's review and approval. Included in the reports are recommended corrective measures on risk identified, if any, for implementation by the Management.

The system of internal controls described in this statement is considered by the Board to be adequate and the risks are considered by the Board to be at an acceptable level within the context on the business environment throughout the Group's businesses. However, such system does not eliminate the possibility of human error, collusion, or deliberate circumvention of control procedures by employees and others. The Board is satisfied that for the financial year under review, there was no material losses, deficiencies or errors have arisen from any inadequacy or failure of the Group's system of internal control that would require separate disclosure in the Group's Annual Report.

The Audit Committee (“the Committee”) was established by the Board of Directors with the primary objective to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to corporate governance, system of internal controls, risk management processes and management and financial reporting practices of the Group.

COMPOSITION

The current members of the Committee comprise:

| | |
|---|---|
| Chairman Lim Kooi Siang | Status of Directorship Independent Non-Executive Director |
| Members Mohamad Najeb bin Ali | Independent Non-Executive Director |
| Krishnan Menon (Appointed on 1 October 2009) | Independent Non-Executive Director |
| YAM Tengku Muhammad Fakhry Petra Ibni Sultan Ismail Petra (Resigned on 1 October 2009) | Independent Non-Executive Director |

Detailed profile of the Committee members are contained in the “Directors’ Profile” as set out on pages 6 to 9 of this Annual Report. Members of the Committee possess sound judgement, objectivity, independent attitude, management experience and knowledge of the industry.

TERMS OF REFERENCE

The terms of reference of the Committee are as follows:

Membership

- The Committee shall be appointed by the Board from among its members and shall comprise a minimum of three (3) members, whereby all members must be Non-Executive Directors and financially literate with a majority of them being Independent Directors, and at least one (1) member of the Committee:
 - must be a member of the Malaysian Institute of Accountants; or
 - if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - fulfills such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad (“Bursa Securities”).
- Alternate Director shall not be appointed as a member of the Committee.
- The Committee shall elect a Chairman from among its members and the elected Chairman shall be an Independent Director.
- In the event, the elected Chairman is not able to attend a meeting; the remaining members present shall elect one of themselves as Chairman for the meeting. The elected Chairman shall be an Independent Director.
- If a member of the Audit Committee resigns, retired, dies or for any other reason ceases to be a member which resulting in the non-compliance with point 1 above, the Board shall fill the vacancy within three (3) months.
- The Board shall review the term of office and performance of the Committee and each member at least once every three (3) years.

TERMS OF REFERENCE (cont'd)

Frequency of meetings

1. Meetings shall be held not less than four (4) times a year. However, additional meetings may be called at anytime depending on the scope of activities of the Committee.
2. Other Board members, Senior management, Internal and External auditors may be invited to attend meetings.
3. The Committee should meet with the external auditors without the presence of executive board members at least twice in a financial year.
4. Prior notice shall be given for all meetings.

Quorum

The minimum quorum for the meeting is two (2) members of the Committee, a majority of members present must be independent and Non-Executive Directors.

Secretary

The Company Secretary shall be the secretary of the Committee. The Secretary shall circulate the notice and minutes of the Committee to all members of Board.

Functions

The functions of the Committee are as follows:

- i) To consider the appointment of external auditors, the audit fee and any questions of resignation or dismissal.
- ii) To review with the external auditors:
 - a) audit plan, scope and nature of the audit of the Group;
 - b) their evaluation and findings of the system of internal controls; and the audit reports on the financial statements.
- iii) To review the adequacy of the scope, function, competency and resources of internal audit and to ensure that it has the necessary authority to carry its work.
- iv) To review any appraisal or assessment of the performance of the internal audit functions and to ensure that the internal audit function reports directly to the Committee.
- v) To review the quality, adequacy and effectiveness of the Group's internal control environment.
- vi) To review the findings of the internal and external auditors.
- vii) To review the quarterly and year end financial statements of the Group, focusing particularly on any changes in or implementation of major accounting policies and practices, significant adjustments arising from the audit, the going concern assumption and compliance with applicable approved accounting standards and other legal and regulatory requirements.
- viii) To review any related party transactions and conflicts of interest situation that may arise within the Group including any transactions, procedures or course of conduct that raises questions of management integrity.
- ix) To review the external auditors' management letter and management's response.
- x) To review and verify the allocation of options pursuant to the Employees' Share Option Scheme ("ESOS") in compliance with the criteria as stipulated in the by law of ESOS of the Group, if any.
- xi) Any other function that may be mutually agreed upon by the Committee and the Board which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

TERMS OF REFERENCE (cont'd)**Authority**

The Committee is authorised by the Board to investigate any activity within its term of reference at the cost of the Company, to:

- i) secure full and unrestricted access to any information pertaining to the Company and its subsidiaries ("the Group").
- ii) communicate directly with the external auditors, internal auditors and all employees of the Group.
- iii) seek and obtain independent professional advice and to secure the attendance of outsiders with relevant experience and expertise as it considers necessary.
- iv) convene meetings with external auditors and internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

MEETING

During the year, the Committee held a total of four (4) meetings. Details of attendance of the Committee members are as follows:

| Committee Members | Meeting Attendance |
|--|---------------------------|
| Lim Kooi Siang | 4/4 |
| Mohamad Najeb bin Ali | 4/4 |
| Krishnan Menon (Appointed on 1 October 2009) | N/A |
| YAM Tengku Muhammad Fakhry Petra Ibni Sultan Ismail Petra (Resigned on 1 October 2009) | 2/4 |

The Company's other Board members, internal auditor, external auditors, and certain senior management staff had attended all the meetings at the invitation of the Chairman of the Committee.

SUMMARY OF ACTIVITIES

The Committee had carried out the following activities during the four (4) meetings in discharging their duties and responsibilities:

- Reviewed the quarterly financial results and annual audited financial statements of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's results to Bursa Securities.
- Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 30 June 2009.
- Reviewed with external auditors on the results and issues arising from their audit of the financial year end statements and their resolutions of such issues highlighted in their report to the Committee.
- Reviewed the risk management framework report prepared by the senior management of the Group and the progress of the risk management functions.
- Reviewed with the internal auditor, the internal audit plan to ensure principal risk areas are adequately covered in the audit plan.
- Reviewed the results of the internal audit process to ensure that the recommendations made by the Internal Auditor and corrective actions taken by management are adequately addressed on a timely basis.
- Reviewed related party transactions, if any, for compliance with the Bursa Securities ACE Market Listing Requirements.

INTERNAL AUDIT FUNCTION

The Group has an independent and adequately resourced Internal Audit Function to assist the Audit Committee in maintaining a sound system of internal control. The internal audits were undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the Group's internal control systems in anticipating potential risks exposures over key business processes within the Group. The Committee has full access to internal auditor and received reports on all audits performed.

The resulting reports from the audits undertaken were forwarded to the Management for its attention and to take the necessary corrective actions as recommended. The Management is responsible for ensuring that corrective actions on reported weaknesses are taken within the required time frame.

During the financial year, the internal audit activities have been carried out in accordance to the internal audit plan, which have been approved by the Audit Committee.

This statement is prepared pursuant to the Bursa Securities ACE Market Listing Requirements.

The Directors are required to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flow and results, of the Group and the Company as at the end of each financial year.

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

- the Group and the Company have used appropriate accounting policies, and are consistently applied;
- that reasonable and prudent judgements and estimates were made; and
- that the approved accounting standards in Malaysia have been applied.

The Directors are responsible for ensuring that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act 1965.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

Share Buyback

Details of the share bought back and retained as treasury shares by the Company during the financial year under review and up to 15 October 2009 are set out as below:

| Monthly Breakdown | No. of shares purchased and retained as treasury shares | Highest price RM | Lowest price RM | Average price RM | Total consideration paid |
|-------------------|---|------------------|-----------------|------------------|--------------------------|
| Jun 2009 | 372,000 | 0.18 | 0.16 | 0.18 | 65,204 |
| July 2009 | 201,500 | 0.19 | 0.18 | 0.18 | 37,220 |
| Aug 2009 | 400,000 | 0.20 | 0.19 | 0.20 | 78,382 |
| Sept 2009 | 363,000 | 0.21 | 0.20 | 0.20 | 73,950 |
| Oct 2009 | 50,000 | 0.20 | 0.20 | 0.20 | 10,000 |

None of the treasury shares held was resold or cancelled during the financial year under review.

Option or Warrants

During the financial year, there has been no issuance of new ordinary share arising from the exercise of option pursuant to the Company's Employees' Share Option Scheme.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

During the financial year, the Company did not sponsor any ADR and GDR programme.

Impositions of Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year other than a public reprimand and a fine of RM89,000.00 imposed on Dato' Ahmad Kabeer bin Mohamed Nagoor by Bursa Malaysia Securities Berhad for breach of Rules 9.22(1), 9.23(1), 9.24, 9.16(1)(a) and 16.11(b) of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market in relation to another public listed company where he is a Non-Executive Director of the said company.

Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Group for the financial year amounted to RM11,900.

Profit Estimates, Forecast or Projection

The Company did not issue any profit estimates, forecast or projection for the financial year.

Profit Guarantee

The Company did not issue any profit guarantee during the financial year.

Material Contract Involving Directors and Major Shareholders

There are no material contracts involving Directors and major shareholders during the financial year.

Recurrent Related Party Transactions of a Revenue or Trading Nature

Details of Recurrent Related Party Transactions of a Revenue or Trading Nature is disclosed in Note 24 to the Financial Statement on page 64.

Revaluation Policy

The Company did not revalue any of its property, plant and equipment.

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The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of mobile-internet messaging solutions using the Short Messaging Services ("SMS"), General Packet Radio Services ("GPRS") and Wireless Application Protocol ("WAP") technology.

The principal activities of the subsidiaries are described in Note 14 to the financial statements.

In the current year, the Group has ventured into the retailing of Global Positioning System ("GPS") navigators and other information technology ("IT") accessories.

There have been no other significant changes in the nature of the principal activities during the financial year other than as disclosed above.

RESULTS

| | Group RM | Company RM |
|-------------------------------|---------------------|-----------------------|
| Profit for the year | 6,187,296 | 1,668,877 |
| Attributable to: | | |
| Equity holders of the Company | 5,343,189 | 1,668,877 |
| Minority interests | 844,107 | - |
| | <u>6,187,296</u> | <u>1,668,877</u> |

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

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

DIVIDENDS

The amount of dividends paid by the Company since 30 June 2008 was as follows:

| | |
|--|------------------|
| In respect of the financial year ended 30 June 2008 | RM |
| Final tax exempt dividend of 10%, on 163,518,740 ordinary shares, declared on 30 October 2008 and paid on 5 January 2009 | 1,635,187 |
| In respect of the financial year ended 30 June 2009 | |
| Interim tax exempt dividend of 10%, on 163,518,740 ordinary shares, declared on 25 February 2009 and paid on 8 April 2009 | 1,635,187 |
| | <u>3,270,374</u> |

At the forthcoming Annual General Meeting, a final tax-exempt dividend in respect of the financial year ended 30 June 2009 of 10% will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2010.

DIRECTORS

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

Dato' Ahmad Kabeer bin Mohamed Nagoor
 Krishnan Menon
 Lim Seng Boon
 Mohamad Najeb bin Ali
 YAM Tengku Muhammad Fakhry Petra Ibni Sultan Ismail Petra (resigned on 1 October 2009)
 Lim Kooi Siang
 Chew Shin Yong, Mark
 Lester Ratnakumar Neil Francis
 Lim Keong Yew (appointed on 19 February 2009)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 8 to the financial statements or the fixed salaries of directors who are full-time employees of the Company and the subsidiaries) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, other than as disclosed in Note 24 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options during the financial year were as follows:

| | ← Number of ordinary shares of RM0.10 each → | | | |
|---------------------------------------|--|---------|------|--------------|
| | 1 July 2008/ Date of appointment | Bought | Sold | 30 June 2009 |
| Direct interest | | | | |
| Krishnan Menon | 350,000 | – | – | 350,000 |
| Lim Seng Boon | 12,681,000 | – | – | 12,681,000 |
| Chew Shin Yong, Mark | 2,130,600 | – | – | 2,130,600 |
| Lester Ratnakumar Neil Francis | 808,016 | – | – | 808,016 |
| Indirect interest | | | | |
| Dato' Ahmad Kabeer bin Mohamed Nagoor | 1,552,000* | – | – | 1,552,000* |
| Lim Seng Boon | 19,801,040** | 52,000 | – | 19,853,040** |
| Lim Keong Yew | 7,159,600*** | 902,400 | – | 8,062,000*** |

* Deemed interested by virtue of his interest in AKN Capital Sdn. Bhd.

** Deemed interested by virtue of his spouse, Madam Goh Lee Lang's shareholdings in M3 Technologies (Asia) Berhad.

*** Deemed interested by virtue of his interest in Exodus Holdings Sdn. Bhd.

None of the other directors in office at the end of the financial year had any interest in shares and options in the Company during the financial year.

TREASURY SHARES

During the year, the Company repurchased 372,000 of its issued ordinary shares from the open market at an average price of RM0.18 per share. The total consideration paid for the repurchase was RM65,204. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 30 June 2009, the Company held as treasury shares a total of 372,000 of its 163,518,740 issued ordinary shares. Such treasury shares are held at a carrying amount of RM65,204 and further relevant details are disclosed in Note 20 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to recognise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to recognise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, retire and do not wish to seek re-appointment.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 October 2009.

We, Dato' Ahmad Kabeer Bin Mohamed Nagoor and Lim Seng Boon, being two of the Directors of M3 Technologies (Asia) Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 70 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2009 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 October 2009.

Dato' Ahmad Kabeer Bin Mohamed Nagoor

Lim Seng Boon

STATUTORY DECLARATION

I, Ooi Wei Wei, being the officer primarily responsible for the financial management of M3 Technologies (Asia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 70 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Ooi Wei Wei
at Georgetown in the State of Penang
on 8 October 2009:

Ooi Wei Wei

Before me,

Cheah Beng Sun
DJN, AMN, PKT, PJK, PJM, PK
No. P103

Commissioner for Oaths

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of M3 Technologies (Asia) Berhad, which comprise the balance sheets as at 30 June 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 70.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2009 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Teoh Soo Hock
No. 2477/10/09(J)
Chartered Accountant

Kuala Lumpur, Malaysia
8 October 2009

| | Note | Group | | Company | |
|-----------------------------------|------|---------------------|--------------------------|--------------------|--------------------------|
| | | 2009 RM | 2008 RM (Restated) | 2009 RM | 2008 RM (Restated) |
| Revenue | 3 | 34,983,830 | 32,318,932 | 13,671,761 | 12,210,932 |
| Cost of sales | 4 | (11,172,308) | (9,484,029) | (5,673,358) | (4,917,604) |
| Gross profit | | 23,811,522 | 22,834,903 | 7,998,403 | 7,293,328 |
| Other income | 5 | 375,604 | 213,940 | 1,752,963 | 2,546,791 |
| Selling and distribution expenses | | (4,216,759) | (4,775,059) | (700,742) | (774,167) |
| Administrative expenses | | (11,436,138) | (10,306,172) | (7,194,964) | (6,111,766) |
| Other gains/(expenses) | | 141,863 | (114,630) | 205 | (17,471) |
| Operating profit | | 8,676,092 | 7,852,982 | 1,855,865 | 2,936,715 |
| Finance costs | 6 | – | (356) | – | – |
| Profit before tax | 7 | 8,676,092 | 7,852,626 | 1,855,865 | 2,936,715 |
| Income tax expense | 9 | (2,488,796) | (2,250,024) | (186,988) | (269,314) |
| Profit for the year | | 6,187,296 | 5,602,602 | 1,668,877 | 2,667,401 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 5,343,189 | 4,692,393 | 1,668,877 | 2,667,401 |
| Minority interests | | 844,107 | 910,209 | – | – |
| | | 6,187,296 | 5,602,602 | 1,668,877 | 2,667,401 |
| Earnings per share (sen) | | | | | |
| Basic/Diluted | 10 | 3.27 | 2.87 | | |

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

| | Note | Group | | Company | |
|---|------|-------------------|------------|-------------------|------------|
| | | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 12 | 4,438,208 | 5,975,912 | 2,553,257 | 3,698,182 |
| Intangible assets | 13 | 14,131,477 | 13,805,616 | 828,141 | 758,099 |
| Investment in subsidiaries | 14 | – | – | 36,332,147 | 36,332,143 |
| Deferred tax asset | 19 | 114,252 | 120,275 | – | – |
| | | 18,683,937 | 19,901,803 | 39,713,545 | 40,788,424 |
| Current assets | | | | | |
| Inventories | 15 | 1,326,188 | – | – | – |
| Trade and other receivables | 16 | 11,364,170 | 12,545,750 | 10,353,675 | 9,267,870 |
| Tax prepayment | | 7,934 | 2,013 | 1,362 | – |
| Cash and bank balances | 17 | 22,114,887 | 17,998,398 | 5,370,076 | 6,633,087 |
| | | 34,813,179 | 30,546,161 | 15,725,113 | 15,900,957 |
| Total assets | | 53,497,116 | 50,447,964 | 55,438,658 | 56,689,381 |
| Equity and liabilities | | | | | |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 20 | 16,351,874 | 16,351,874 | 16,351,874 | 16,351,874 |
| Share premium | | 2,351,731 | 2,351,731 | 2,351,731 | 2,351,731 |
| Treasury shares | 20 | (65,204) | – | (65,204) | – |
| Other reserves | 21 | (96,688) | (762,251) | 16,074,240 | 16,074,240 |
| Retained earnings | 22 | 26,717,315 | 24,644,500 | 18,261,958 | 19,863,455 |
| | | 45,259,028 | 42,585,854 | 52,974,599 | 54,641,300 |
| Minority interests | | 2,432,742 | 1,767,898 | – | – |
| Total equity | | 47,691,770 | 44,353,752 | 52,974,599 | 54,641,300 |
| Non-current liability | | | | | |
| Deferred taxation | 19 | 169,833 | 174,262 | – | – |
| | | 169,833 | 174,262 | – | – |
| Current liabilities | | | | | |
| Trade and other payables | 18 | 4,702,693 | 4,783,658 | 2,464,059 | 2,034,167 |
| Tax payable | | 932,820 | 1,136,292 | – | 13,914 |
| | | 5,635,513 | 5,919,950 | 2,464,059 | 2,048,081 |
| Total liabilities | | 5,805,346 | 6,094,212 | 2,464,059 | 2,048,081 |
| Total equity and liabilities | | 53,497,116 | 50,447,964 | 55,438,658 | 56,689,381 |

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

| Group | ←— Attributable to equity holders of the Company —→ | | | | | Total equity RM |
|--|---|--|--|---|-----------------------------|--------------------|
| | Non-distributable | | Distributable | | | |
| Share capital (Note 20) RM | Share premium RM | Treasury shares (Note 20(b)) RM | Foreign exchange reserve (Note 21(a)) RM | Retained earnings (Note 22) RM | Minority interests RM | Total equity RM |
| At 1 July 2007 | 16,351,874 | 2,351,731 | - | 970,036 | 20,769,701 | 41,857,503 |
| Foreign currency translation representing net income and expense recognised directly in equity | - | - | - | (1,732,287) | - | (2,128,919) |
| Profit for the year | - | - | - | 4,692,393 | 4,692,393 | 5,602,602 |
| Dividends (Note 11) | - | - | - | (817,594) | (817,594) | (977,434) |
| At 30 June 2008 | 16,351,874 | 2,351,731 | - | (762,251) | 24,644,500 | 44,353,752 |
| At 1 July 2008 | 16,351,874 | 2,351,731 | - | (762,251) | 24,644,500 | 44,353,752 |
| Foreign currency translation representing net income and expense recognised directly in equity | - | - | - | 665,563 | - | 602,795 |
| Profit for the year | - | - | - | 5,343,189 | 844,107 | 6,187,296 |
| Purchase of treasury shares | - | - | (65,204) | - | - | (65,204) |
| Dividends (Note 11) | - | - | - | (3,270,374) | (116,495) | (3,386,869) |
| At 30 June 2009 | 16,351,874 | 2,351,731 | (65,204) | (96,688) | 26,717,315 | 47,691,770 |

STATEMENTS OF CHANGES IN EQUITY For the year ended 30 June 2009 (cont'd)

| Company | Share Capital (Note 20) RM | ← Non-Distributable → | | | Special reserve (Note 21(b)) RM | Distributable retained earnings (Note 22) RM | Total equity RM |
|---|-------------------------------------|------------------------|--|-------------------|--|--|-----------------------|
| | | Share premium RM | Treasury shares (Note 20(b)) RM | | | | |
| At 1 July 2007 | 16,351,874 | 2,351,731 | – | 16,074,240 | 18,013,648 | 52,791,493 | |
| Profit for the year, representing total recognised income and expense for the year | – | – | – | – | 2,667,401 | 2,667,401 | |
| Dividends (Note 11) | – | – | – | – | (817,594) | (817,594) | |
| At 30 June 2008 | 16,351,874 | 2,351,731 | – | 16,074,240 | 19,863,455 | 54,641,300 | |
| At 1 July 2008 | 16,351,874 | 2,351,731 | – | 16,074,240 | 19,863,455 | 54,641,300 | |
| Profit for the year, representing total recognised income and expense for the year | – | – | – | – | 1,668,877 | 1,668,877 | |
| Purchase of treasury shares | – | – | (65,204) | – | – | (65,204) | |
| Dividends (Note 11) | – | – | – | – | (3,270,374) | (3,270,374) | |
| At 30 June 2009 | 16,351,874 | 2,351,731 | (65,204) | 16,074,240 | 18,261,958 | 52,974,599 | |

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

| | Note | Group | | Company | |
|--|------|--------------------|-------------|--------------------|-------------|
| | | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Cash flows from operating activities | | | | | |
| Profit before tax | | 8,676,092 | 7,852,626 | 1,855,865 | 2,936,715 |
| Adjustments for: | | | | | |
| Dividend income | | - | - | (1,648,312) | (2,439,357) |
| Interest income | 5 | (317,786) | (186,286) | (104,651) | (107,434) |
| Interest expenses | 6 | - | 356 | - | - |
| Amortisation of product development expenditure | 7 | 984,095 | 1,141,452 | 821,121 | 913,266 |
| Depreciation of property, plant and equipment | 7 | 1,978,589 | 1,978,100 | 1,261,247 | 1,276,627 |
| (Gain)/Loss on disposal of property, plant and equipment | 7 | (433) | 10,367 | (835) | - |
| Net unrealised (gain)/loss on foreign exchange | 7 | (126,686) | 84,574 | - | - |
| Provision for doubtful debts - trade receivables | 7 | 60,733 | 11,215 | - | - |
| Property, plant and equipment written off | 7 | 894 | 39,140 | 458 | 16,579 |
| Short-term accumulating compensated absences | 8 | 43,945 | (18,380) | 42,348 | (10,888) |
| Operating profit before working capital changes | | 11,299,443 | 10,913,164 | 2,227,241 | 2,585,508 |
| Increase in inventories | | (1,326,188) | - | - | - |
| Decrease/(Increase) in receivables | | 1,120,847 | (2,488,850) | (1,085,805) | (1,011,578) |
| Increase/(Decrease) in payables | | 205,329 | (115,041) | 387,544 | 43,908 |
| Cash generated from operations | | 11,299,431 | 8,309,273 | 1,528,980 | 1,617,838 |
| Interest received | | 317,786 | 186,286 | 104,651 | 107,434 |
| Interest expenses paid | | - | (356) | - | - |
| Taxes paid | | (2,642,461) | (1,179,268) | (202,264) | (224,242) |
| Net cash generated from operating activities | | 8,974,756 | 7,315,935 | 1,431,367 | 1,501,030 |

CASH FLOW STATEMENTS For the year ended 30 June 2009 (cont'd)

| | Note | Group | | Company | |
|---|-------|-------------------|--------------------|--------------------|------------------|
| | | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Cash flows from investing activities | | | | | |
| Acquisition of subsidiaries | 14(a) | - | - | (4) | - |
| Proceeds from disposal of property, plant and equipment | | 2,794 | 1,651 | 34,297 | - |
| Product development expenditure | 13 | (1,035,848) | (851,328) | (891,163) | (730,643) |
| Purchase of property, plant and equipment | | (462,568) | (902,731) | (150,242) | (86,639) |
| Dividends received | | - | - | 1,648,312 | 2,150,757 |
| Net cash (used in)/generated from investing activities | | (1,495,622) | (1,752,408) | 641,200 | 1,333,475 |
| Cash flows from financing activities | | | | | |
| Purchase of treasury shares | 20(b) | (65,204) | - | (65,204) | - |
| Dividends paid | 11 | (3,270,374) | (817,594) | (3,270,374) | (817,594) |
| Dividends paid to minority interests of subsidiaries | | (308,895) | (159,840) | - | - |
| Net cash used in financing activities | | (3,644,473) | (977,434) | (3,335,578) | (817,594) |
| Net increase/(decrease) in cash and cash equivalents | | 3,834,661 | 4,586,093 | (1,263,011) | 2,016,911 |
| Effect of exchange rate changes | | 281,828 | (1,001,557) | | |
| Cash and cash equivalents as at 1 July | | 17,998,398 | 14,413,862 | 6,633,087 | 4,616,176 |
| Cash and cash equivalents as at 30 June (Note A) | | 22,114,887 | 17,998,398 | 5,370,076 | 6,633,087 |

A. Cash and cash equivalents comprise:

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Cash on hand and at banks (Note 17) | 19,143,481 | 11,643,350 | 4,860,111 | 1,765,042 |
| Deposits with a licensed bank (Note 17) | 2,971,406 | 6,355,048 | 509,965 | 4,868,045 |
| | 22,114,887 | 17,998,398 | 5,370,076 | 6,633,087 |

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The Company operates in three main locations:

- (a) Level 32, Tower 2, Petronas Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur;
- (b) 1007, Block A, Pusat Dagangan Phileo 2, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan; and
- (c) 706 & 707, Block A, Pusat Dagangan Phileo 2, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is the provision of mobile-internet messaging solutions using the Short Messaging Services ("SMS"), General Packet Radio Services ("GPRS") and Wireless Application Protocol ("WAP") technology.

The principal activities of the subsidiaries are described in Note 14.

In the current year, the Group has ventured into the retailing of Global Positioning System ("GPS") navigators and other information technology ("IT") accessories.

There have been no other significant changes in the nature of the principal activities during the financial year other than as disclosed above.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 October 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements comply with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have also been prepared on a historical basis, unless otherwise stated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) except when otherwise indicated.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries and basis of consolidation

i. Subsidiaries

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

ii. Basis of consolidation

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

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

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

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

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

(b) Intangible assets

i. Goodwill

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

ii. Product development expenditure

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

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

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 2 years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)**(c) Property, plant and equipment and depreciation**

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is provided for on a straight-line basis to write-off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

| | |
|--|-----------|
| Building | 2% |
| Computers and software | 10% - 15% |
| Furniture, fixtures, fittings and office equipment | 15% |
| Motor vehicles | 10% |
| Renovation | 10% |

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(d) Impairment of non-financial assets

The carrying amounts of assets, other than inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

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

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(e) Inventories

Inventories comprise merchandise held for resale and are stated at the lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost includes cost of purchase and other incidental expenses in bringing the items into its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Financial instruments

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

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

i. Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

ii. Other non-current investments

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

iii. Receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)**(f) Financial instruments** (cont'd)**iv. Payables**

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

v. Equity instruments

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

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

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

(g) Leases**i. Classification**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

ii. Operating leases - the Group as lessee

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

(h) Income tax

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

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Income tax (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(i) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(j) Employee benefits

i. Short-term benefits

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

ii. Defined contribution plans

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

(k) Foreign currencies

i. Functional and presentation currency

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)**(k) Foreign currencies** (cont'd)**ii. Foreign currency transactions**

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

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 July 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 July 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i. Revenue from services

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

ii. Interest income

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

iii. Dividend income

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

2.3 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following new FRSs, Amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

| FRSs, Amendments to FRSs and Interpretations | Effective for financial periods beginning on or after |
|--|--|
| FRS 4: Insurance Contracts | 1 January 2010 |
| FRS 7: Financial Instruments: Disclosures | 1 January 2010 |
| FRS 8: Operating Segments | 1 July 2009 |
| FRS 123: Borrowing Costs | 1 January 2010 |
| FRS 139: Financial Instruments: Recognition and Measurement | 1 January 2010 |
| FRS 101: Presentation of Financial Statements (revised 2009) | 1 January 2010 |
| Amendment to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | 1 January 2010 |
| Amendment to FRS 2 Share-based Payment: Vesting Conditions and Cancellations | 1 January 2010 |
| Amendments to FRS 132: Financial Instruments: Presentation | 1 January 2010 |
| Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives | 1 January 2010 |
| IC Interpretation 9: Reassessment of Embedded Derivatives | 1 January 2010 |
| IC Interpretation 10: Interim Financial Reporting and Impairment | 1 January 2010 |
| IC Interpretation 11: FRS 2 - Group Treasury Share Transactions | 1 January 2010 |
| IC Interpretation 13: Customer Loyalty Programmes | 1 January 2010 |
| IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 January 2010 |

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.3 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE** (cont'd)

MASB has also issued "Improvements to FRSs (2009)" which contains amendments to twenty two FRSs and is effective for financial periods beginning on or after 1 January 2010.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7, FRS 139 and Amendments to FRS 139 and FRS 7.

The other new FRSs, Amendments to FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group upon their initial application except for the changes in disclosures arising from the adoption of FRS 8, FRS 101 (revised 2009) and Amendments to FRS 132 and the financial impact arising from the adoption of FRS 139.

2.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**(a) Critical judgement made in applying accounting policies**

There is no critical judgement made by management in the process of applying the Group's accounting policies that has a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

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

(i) Provision for doubtful debts

The provision for doubtful debts of the Group and the Company is based on the evaluation of collectibility and ageing analysis of the receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit-worthiness and the past collection history of each customer. If the financial conditions of customers of the Group and the Company were to deteriorate, additional allowances may be required.

(ii) Depreciation of plant and equipment

The plant and equipment of the Group and the Company are depreciated on a straight-line basis over the assets' estimated useful lives, as disclosed in Note 2.2(c). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised.

(iii) Impairment of goodwill and investment in subsidiaries

The Group determines whether goodwill is impaired at least on an annual basis. The Company also reviews the carrying amounts of its investment in subsidiaries and when there are any indications of impairment, a similar impairment test is performed.

This requires the estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill are allocated and the value-in-use of the investment in subsidiaries. Estimating a value-in-use amount requires management to make an estimate of the expected cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the goodwill as at 30 June 2009 is RM13,166,966 (2008: RM12,904,871). The carrying amount of the investments in subsidiaries as at 30 June 2009 is RM36,332,147 (2008: RM36,332,143). Further details of the goodwill and investment in subsidiaries are disclosed in Note 13(b) and Note 14 respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

b) Key sources of estimation uncertainty (cont'd)

(iv) Deferred tax assets

Deferred tax assets are recognised for unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and others deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies. The total unrecognised tax losses and other deductible temporary differences of the Group and the Company were RM932,000 (2008: RM2,901,000) and RM247,000 (2008: RM695,000) respectively.

3. REVENUE

Revenue consists of invoiced value of products and services, net of service taxes and discounts.

4. COST OF SALES

Cost of sales consists mainly of SMS and leased-line charges, royalty expenses, amortisation of product development expenditure, other incidental costs incurred for the provision of mobile-internet messaging solution using SMS, GPRS and WAP technology and cost of inventories.

5. OTHER INCOME

| | Group | | Company | |
|-----------------------------------|----------------|----------------|------------------|------------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Interest income | 317,786 | 186,286 | 104,651 | 107,434 |
| Dividend income from subsidiaries | - | - | 1,648,312 | 2,439,357 |
| Miscellaneous | 57,818 | 27,654 | - | - |
| | 375,604 | 213,940 | 1,752,963 | 2,546,791 |

6. FINANCE COSTS

| | Group | | Company | |
|------------------------|------------|------------|------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Interest expenses on: | | | | |
| Hire purchase payables | - | 356 | - | - |

7. PROFIT BEFORE TAX

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

| | Group | | Company | |
|---|------------------|------------|------------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Amortisation of product development expenditure (Note 13) | 984,095 | 1,141,452 | 821,121 | 913,266 |
| Auditors' remuneration | | | | |
| - statutory audits | 91,090 | 73,206 | 37,000 | 35,000 |
| - other services | 63,000 | 55,000 | 63,000 | 55,000 |
| Depreciation (Note 12) | 1,978,589 | 1,978,100 | 1,261,247 | 1,276,627 |
| Directors' fees | | | | |
| - holding company | 112,000 | 120,000 | 112,000 | 120,000 |
| - subsidiaries | 4,808 | 4,632 | - | - |
| (Gain)/Loss on disposal of property, plant and equipment | (433) | 10,367 | (835) | - |
| Net (gain)/loss on foreign exchange | | | | |
| - realised | (28,711) | (15,552) | (664) | 892 |
| - unrealised | (126,686) | 84,574 | - | - |
| Provision for doubtful debts | | | | |
| - trade receivables | 60,733 | 11,215 | - | - |
| Property, plant and equipment written off | 894 | 39,140 | 458 | 16,579 |
| Operating lease: | | | | |
| Minimum lease payments for premises and equipment | 729,508 | 697,614 | 381,269 | 351,341 |
| Employee benefits expense (Note 8) | 7,655,140 | 6,860,752 | 4,207,041 | 3,300,789 |

8. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|---|--------------------|------------|------------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Wages and salaries | 5,888,148 | 6,188,130 | 3,468,423 | 3,116,013 |
| Directors' remuneration | | | | |
| - salaries and other emoluments | | | | |
| - holding company | 611,192 | 265,785 | 611,192 | 265,785 |
| - subsidiaries | 754,139 | 353,006 | - | - |
| Social security costs | 87,755 | 86,191 | 42,553 | 40,826 |
| Short-term accumulating compensated absences | 43,945 | (18,380) | 42,348 | (10,888) |
| Pension costs - defined contribution plan | 319,881 | 293,284 | 314,415 | 293,284 |
| Other staff related expenses | 985,928 | 544,064 | 619,273 | 326,412 |
| | 8,690,988 | 7,712,080 | 5,098,204 | 4,031,432 |
| Less: Capitalised in intangible asset - product development expenditure (Note 13) | (1,035,848) | (851,328) | (891,163) | (730,643) |
| | 7,655,140 | 6,860,752 | 4,207,041 | 3,300,789 |

9. INCOME TAX EXPENSE

| | Group | | Company | |
|---|------------------|------------|----------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Tax expense for the year: | | | | |
| Malaysian income tax | 26,163 | 31,413 | 26,163 | 31,413 |
| Foreign tax | 2,367,326 | 2,258,454 | 164,831 | 237,901 |
| | 2,393,489 | 2,289,867 | 190,994 | 269,314 |
| (Over)/Underprovided in prior year: | | | | |
| Malaysian income tax | (4,006) | (43,893) | (4,006) | - |
| Foreign tax | 92,101 | - | - | - |
| | 88,095 | (43,893) | (4,006) | - |
| Deferred tax (Note 19) | | | | |
| Relating to origination and reversal of temporary differences | - | (56,387) | - | - |
| Underprovided in prior year | 7,212 | 60,437 | - | - |
| | 7,212 | 4,050 | - | - |
| | 2,488,796 | 2,250,024 | 186,988 | 269,314 |

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

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

| Group | 2009 RM | 2008 RM |
|--|------------------|------------|
| Profit before tax | 8,676,092 | 7,852,626 |
| Taxation at Malaysian statutory tax rate of 25% (2008: 26%) | 2,169,023 | 2,041,683 |
| Effect of different tax rates in other countries | 428,035 | 409,592 |
| Income not subject to tax | (245,233) | (485,181) |
| Expenses not deductible for tax purposes | 257,741 | 109,338 |
| Effect of change in tax rate on the deferred tax asset of a foreign subsidiary | (154,450) | - |
| Utilisation of previously unrecognised unused tax losses | (257,492) | (32,226) |
| Temporary differences not recognisable during pioneer period | (112,006) | (158,095) |
| Deferred tax assets not recognised during the year | 30,856 | - |
| Withholding tax on dividend income and sales | 277,015 | 348,369 |
| Under/(Over) provision of income tax expense in prior year | 88,095 | (43,893) |
| Under provision of deferred tax in prior year | 7,212 | 60,437 |
| Tax expense for the year | 2,488,796 | 2,250,024 |
| Company | | |
| Profit before tax | 1,855,865 | 2,936,715 |
| Taxation at Malaysian statutory tax rate of 25% (2008: 26%) | 463,967 | 763,546 |
| Effect of income not subject to tax | (412,078) | (662,166) |
| Effect of expenses not deductible for tax purposes | 86,280 | 88,128 |
| Effect of temporary difference not recognisable during pioneer period | (112,006) | (158,095) |
| Withholding tax on dividend income received | 164,831 | 237,901 |
| Overprovision of tax expense in prior years | (4,006) | - |
| Tax expense for the year | 186,988 | 269,314 |

9. INCOME TAX EXPENSE (cont'd)

The Company has been accorded Multimedia Super Corridor (MSC) Status and was granted Pioneer Status effective from 24 October 2000, which exempts 100% of the statutory business income from taxation for a period of 5 years, with an extended pioneer period for a further 5 years, granted from 24 October 2005 to 23 October 2010.

The Company's tax charge for the current year is in respect of interest income and withholding tax on dividend income received from foreign subsidiaries.

10. EARNINGS PER SHARE
(a) Basic

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

| | Group | |
|--|--------------------|-------------|
| | 2009 | 2008 |
| Profit attributable to ordinary equity holders of the Company (RM) | 5,343,189 | 4,692,393 |
| Weighted average number of ordinary shares in issue | 163,496,154 | 163,518,740 |
| Basic earnings per share (sen) | 3.27 | 2.87 |

(b) Diluted

The Company's Employees' Share Options Scheme ("ESOS") has lapsed on 7 January 2008. Accordingly, the diluted earnings per share is presented as equal to basic earnings per share.

11. DIVIDENDS

| | Dividends in respect of year | | Dividends recognised in year | |
|--|------------------------------|------------------|------------------------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Recognised during the year | | | | |
| Interim tax exempt dividend of 10%, on 163,518,740 ordinary shares (1 sen per ordinary share) | 1,635,187 | - | 1,635,187 | - |
| Final tax exempt dividend of 10%, on 163,518,740 ordinary shares (1 sen per ordinary share) | - | 1,635,187 | 1,635,187 | - |
| First interim tax exempt dividend of 5%, on 163,518,740 ordinary shares (0.5 sen per ordinary share) | - | 817,594 | - | 817,594 |
| | 1,635,187 | 2,452,781 | 3,270,374 | 817,594 |

At the forthcoming Annual General Meeting, a final tax-exempt dividend in respect of the financial year ended 30 June 2009 of 10% will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2010.

12. PROPERTY, PLANT AND EQUIPMENT

| Group | Building RM | Computers and software RM | Furniture, fixtures, fittings and office equipment RM | Motor vehicles RM | Renovation RM | Total RM |
|---------------------------------|----------------|------------------------------------|--|-------------------------|------------------|-------------------|
| At 30 June 2009 | | | | | | |
| Cost | | | | | | |
| At 1 July 2008 | 580,000 | 14,450,062 | 891,069 | 74,830 | 391,590 | 16,387,551 |
| Additions | - | 355,276 | 89,619 | - | 17,673 | 462,568 |
| Disposals | - | (2,430) | (1,179) | - | - | (3,609) |
| Write off | - | - | (3,648) | - | - | (3,648) |
| Exchange differences | - | 22,438 | 8,191 | (116) | 857 | 31,370 |
| At 30 June 2009 | 580,000 | 14,825,346 | 984,052 | 74,714 | 410,120 | 16,874,232 |
| Accumulated depreciation | | | | | | |
| At 1 July 2008 | 28,506 | 9,668,183 | 501,412 | 15,539 | 197,999 | 10,411,639 |
| Depreciation charge | 11,600 | 1,781,951 | 134,674 | 7,456 | 42,908 | 1,978,589 |
| Disposals | - | (835) | (413) | - | - | (1,248) |
| Write off | - | - | (2,754) | - | - | (2,754) |
| Exchange differences | - | 45,477 | 4,208 | (29) | 142 | 49,798 |
| At 30 June 2009 | 40,106 | 11,494,776 | 637,127 | 22,966 | 241,049 | 12,436,024 |
| Net carrying amount | | | | | | |
| At 30 June 2009 | 539,894 | 3,330,570 | 346,925 | 51,748 | 169,071 | 4,438,208 |

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Group | Building RM | Computers and software RM | Furniture, fixtures, fittings and office equipment RM | Motor vehicles RM | Renovation RM | Total RM |
|---------------------------------|----------------|------------------------------------|--|-------------------------|------------------|-------------|
| At 30 June 2008 | | | | | | |
| Cost | | | | | | |
| At 1 July 2007 | 580,000 | 14,251,482 | 1,032,671 | 75,189 | 388,899 | 16,328,241 |
| Additions | - | 717,594 | 170,151 | - | 14,986 | 902,731 |
| Disposals | - | (266) | (12,831) | - | (9,371) | (22,468) |
| Write off | - | (143,674) | (21,426) | - | (3,400) | (168,500) |
| Exchange differences | - | (375,074) | (277,496) | (359) | 476 | (652,453) |
| At 30 June 2008 | 580,000 | 14,450,062 | 891,069 | 74,830 | 391,590 | 16,387,551 |
| Accumulated depreciation | | | | | | |
| At 1 July 2007 | 16,907 | 8,130,058 | 603,511 | 8,161 | 160,510 | 8,919,147 |
| Depreciation charge | 11,599 | 1,781,100 | 136,685 | 7,488 | 41,228 | 1,978,100 |
| Disposals | - | (80) | (7,767) | - | (2,603) | (10,450) |
| Write off | - | (109,094) | (19,053) | - | (1,213) | (129,360) |
| Exchange differences | - | (133,801) | (211,964) | (110) | 77 | (345,798) |
| At 30 June 2008 | 28,506 | 9,668,183 | 501,412 | 15,539 | 197,999 | 10,411,639 |
| Net carrying amount | | | | | | |
| At 30 June 2008 | 551,494 | 4,781,879 | 389,657 | 59,291 | 193,591 | 5,975,912 |

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Company | Building RM | Computers and software RM | Furniture, fixtures, fittings and office equipment RM | Motor vehicles RM | Renovation RM | Total RM |
|---------------------------------|----------------|------------------------------------|--|-------------------------|------------------|-------------------|
| At 30 June 2009 | | | | | | |
| Cost | | | | | | |
| At 1 July 2008 | 580,000 | 10,687,583 | 418,594 | 70,229 | 380,977 | 12,137,383 |
| Additions | - | 113,310 | 36,052 | - | 880 | 150,242 |
| Disposal | - | (6,202) | (30,105) | - | (880) | (37,187) |
| Write off | - | - | (968) | - | - | (968) |
| At 30 June 2009 | 580,000 | 10,794,691 | 423,573 | 70,229 | 380,977 | 12,249,470 |
| Accumulated depreciation | | | | | | |
| At 1 July 2008 | 28,506 | 7,907,358 | 293,368 | 13,738 | 196,231 | 8,439,201 |
| Depreciation charge | 11,600 | 1,157,642 | 46,851 | 7,023 | 38,131 | 1,261,247 |
| Disposal | - | (853) | (2,839) | - | (33) | (3,725) |
| Write off | - | - | (510) | - | - | (510) |
| At 30 June 2009 | 40,106 | 9,064,147 | 336,870 | 20,761 | 234,329 | 9,696,213 |
| Net carrying amount | | | | | | |
| At 30 June 2009 | 539,894 | 1,730,544 | 86,703 | 49,468 | 146,648 | 2,553,257 |
| At 30 June 2008 | | | | | | |
| Cost | | | | | | |
| At 1 July 2007 | 580,000 | 10,716,848 | 417,347 | 70,229 | 379,567 | 12,163,991 |
| Additions | - | 64,732 | 17,097 | - | 4,810 | 86,639 |
| Write off | - | (93,997) | (15,850) | - | (3,400) | (113,247) |
| At 30 June 2008 | 580,000 | 10,687,583 | 418,594 | 70,229 | 380,977 | 12,137,383 |
| Accumulated depreciation | | | | | | |
| At 1 July 2007 | 16,907 | 6,809,480 | 266,662 | 6,715 | 159,478 | 7,259,242 |
| Depreciation charge | 11,599 | 1,177,483 | 42,556 | 7,023 | 37,966 | 1,276,627 |
| Write off | - | (79,605) | (15,850) | - | (1,213) | (96,668) |
| At 30 June 2008 | 28,506 | 7,907,358 | 293,368 | 13,738 | 196,231 | 8,439,201 |
| Net carrying amount | | | | | | |
| At 30 June 2008 | 551,494 | 2,780,225 | 125,226 | 56,491 | 184,746 | 3,698,182 |

13. INTANGIBLE ASSETS

| Group | Goodwill RM | Product development expenditure RM | Total RM |
|---|------------------------|---|---------------------|
| Cost | | | |
| At 1 July 2007 | 15,105,904 | 5,244,516 | 20,350,420 |
| Additions - internal development – employee benefits expense (Note 8) | – | 851,328 | 851,328 |
| Written off - internal development | – | (675,245) | (675,245) |
| Exchange differences | (559,195) | (43,261) | (602,456) |
| At 30 June 2008 | 14,546,709 | 5,377,338 | 19,924,047 |
| Additions - internal development – employee benefits expense (Note 8) | – | 1,035,848 | 1,035,848 |
| Exchange differences | 262,095 | 28,776 | 290,871 |
| At 30 June 2009 | 14,808,804 | 6,441,962 | 21,250,766 |
| Accumulated amortisation and impairment | | | |
| At 1 July 2007 | 1,641,838 | 4,040,901 | 5,682,739 |
| Amortisation (Note 7) | – | 1,141,452 | 1,141,452 |
| Written off - internal development | – | (675,245) | (675,245) |
| Exchange differences | – | (30,515) | (30,515) |
| At 30 June 2008 | 1,641,838 | 4,476,593 | 6,118,431 |
| Amortisation (Note 7) | – | 984,095 | 984,095 |
| Exchange differences | – | 16,763 | 16,763 |
| At 30 June 2009 | 1,641,838 | 5,477,451 | 7,119,289 |
| Net carrying amount | | | |
| At 30 June 2008 | 12,904,871 | 900,745 | 13,805,616 |
| At 30 June 2009 | 13,166,966 | 964,511 | 14,131,477 |

13. INTANGIBLE ASSETS (cont'd)

| Company | Product development expenditure RM |
|---|---|
| Cost | |
| At 1 July 2007 | 4,306,500 |
| Additions - internal development – employee benefits expense (Note 8) | 730,643 |
| At 30 June 2008 | 5,037,143 |
| Additions - internal development – employee benefits expense (Note 8) | 891,163 |
| At 30 June 2009 | 5,928,306 |
| Accumulated amortisation and impairment | |
| At 1 July 2007 | 3,365,778 |
| Amortisation (Note 7) | 913,266 |
| At 30 June 2008 | 4,279,044 |
| Amortisation (Note 7) | 821,121 |
| At 30 June 2009 | 5,100,165 |
| Net carrying amount | |
| At 30 June 2008 | 758,099 |
| At 30 June 2009 | 828,141 |

(a) Impairment loss recognised

The management of the Group carries out a review of the recoverable amounts of the goodwill on an annual basis. In the prior year, the review led to the recognition of an impairment loss of RM1,641,838. No additional impairment loss was recognised in the current year. The recoverable amount was based on value-in-use and was determined at the cash-generating unit (CGU). In determining value-in-use for the CGU, the discount rate applied to cash flow projections is the Group's internal rate of return.

(b) Impairment tests for goodwill
Allocation of goodwill

Goodwill has been allocated to the Group's cash generating unit ("CGU") identified according to the respective countries as follows:

| | 2009 RM | 2008 RM |
|-----------|--------------------|--------------------|
| Indonesia | 8,431,314 | 8,431,314 |
| Thailand | 4,735,652 | 4,473,557 |
| | 13,166,966 | 12,904,871 |

Key assumptions used in value-in-use calculations

The recoverable amount of the CGU is determined based on value-in-use calculations using cash flow projections based on financial forecasts approved by management covering a 5-year period. The cash flows beyond the 5-year period are extrapolated using growth rates which are consistent with the long-term average growth rate for the industry.

13. INTANGIBLE ASSETS (cont'd)

(b) Impairment tests for goodwill (contd.)

Key assumptions and management's approach to determine the values assigned to each key assumption are as follows:

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

(ii) Sales growth and selling price

The sales growth and the selling price used to calculate the cash inflows from operations were determined after taking into consideration price trends of the industries which the CGUs are exposed. Values assigned are consistent with the external sources of information.

(iii) Exchange rate

The exchange rate used to translate foreign currencies transactions into the CGUs' functional currency is based on the exchange rates obtained immediately before the forecast year. Values assigned are consistent with external sources of information.

(iv) Discount rate

The discount rates used, which range from 6% to 15% per annum (2008: 6% to 15% per annum) are pre-tax and reflect the specific risks relating to the relevant countries.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of all CGUs, management believes that no reasonable change in any of the above key assumptions would cause the carrying value of the units to materially exceed their recoverable amounts.

14. INVESTMENT IN SUBSIDIARIES

| | Company | |
|-------------------------------------|--------------------|-------------|
| | 2009 | 2008 |
| | RM | RM |
| Unquoted shares at cost | 37,973,985 | 37,973,981 |
| Less: Accumulated impairment losses | (1,641,838) | (1,641,838) |
| | 36,332,147 | 36,332,143 |

14. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Equity interest held | |
|---|-----------------------------------|----------------------|-----------|
| | | 2009 % | 2008 % |
| M3 Asia Sdn. Bhd. ("M3 Asia") ++ | Malaysia | 100 | – |
| M3 Online Sdn. Bhd. ("M3 Online") ++ | Malaysia | 100 | – |
| AKN Messaging Technologies (S) Pte. Ltd. ("M3TECH Singapore") *+ | Singapore | 100 | 100 |
| Messaging Technologies (H.K.) Limited ("M3TECH HK") *+ | Hong Kong, SAR | 100 | 100 |
| M3 Technologies (Thailand) Ltd. *+ | Thailand | 95 | 95 |
| AKN Messaging Technologies (Pvt.) Limited ("M3TECH Pakistan") *+ | Pakistan | 60 | 60 |
| PT Surya Genta Perkasa ("M3TECH Indonesia") *+ | Indonesia | 80 | 80 |
| Virtue Partners International Limited ("VPI") *+++ | British Virgin Island | 100 | 100 |
| Held under M3TECH HK | | | |
| AKN Messaging Technologies (Xiamen) Ltd. ("M3TECH Xiamen") *+ | The People's Republic of China | 89.67 | 89.67 |

* Audited by firms of auditors other than Ernst & Young

+ Involved in provision of mobile-internet messaging solutions using the Short Messaging Services ("SMS"), General Packet Radio Services ("GPRS") and Wireless Application Protocol ("WAP") technology. In addition, the subsidiaries in Hong Kong, Thailand and Indonesia and have commenced the retailing of GPS navigators and other IT accessories during the year.

++ Newly acquired subsidiaries. M3 Asia is involved in the retailing of GPS navigators and other IT accessories, while M3 Online is currently dormant.

+++ Investment holding company.

(a) Acquisition of subsidiaries

On 16 April 2009, the Company acquired the entire issued and paid up share capital of M3 Asia and M3 Online for a total cash consideration of RM2 for each of the subsidiaries. These companies were dormant with a paid up share capital of RM2 each at the date of acquisition. Thus, the consideration paid represents the fair value of the net assets as at the date of acquisition.

The acquired subsidiaries have contributed the following results to the Group:

| | 2009 RM |
|-------------------|--------------------------|
| Revenue | 451,989 |
| Loss for the year | 101,884 |

15. INVENTORIES

| | Group | |
|------------------------------|------------------|------|
| | 2009 | 2008 |
| | RM | RM |
| Trading inventories, at cost | 1,326,188 | - |

16. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--|--------------------|-------------|--------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Trade receivables | | | | |
| Trade receivables | 11,013,676 | 17,115,056 | 5,067,184 | 10,248,470 |
| Provision for doubtful debts | (1,104,902) | (5,967,754) | (1,032,954) | (5,956,539) |
| | 9,908,774 | 11,147,302 | 4,034,230 | 4,291,931 |
| Other receivables | | | | |
| Advances to a director of a subsidiary | 1,602 | 43,270 | - | - |
| Amount due from subsidiaries | - | - | 6,691,812 | 5,462,482 |
| Deposits | 503,233 | 280,579 | 242,847 | 198,588 |
| Prepayments | 804,138 | 357,058 | 143,754 | 78,636 |
| Sundry receivables | 146,423 | 717,541 | 18,765 | 13,966 |
| | 1,455,396 | 1,398,448 | 7,097,178 | 5,753,672 |
| Provision for doubtful debts | - | - | (777,733) | (777,733) |
| | 1,455,396 | 1,398,448 | 6,319,445 | 4,975,939 |
| | 11,364,170 | 12,545,750 | 10,353,675 | 9,267,870 |

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading term with its customers is mainly on credit. The credit period generally ranges from 30 to 120 days. Other credit terms are assessed and approved on a case-by-case basis. The Group and the Company have approximately 67% (2008: 69%) and 58% (2008: 48%) of the outstanding trade receivables as at 30 June 2009 due from various telecommunication companies mainly for the provision of SMS content and services.

During the year, the Group and the Company have written off certain long outstanding receivables amounting to RM4,923,585 (2008: RM Nil) as bad debts against the provision for doubtful debts balance which had been made in previous years.

(b) Trade receivables - due from a director

Included in the trade receivables of the Group is an amount of RM832 (2008: RM Nil) due from a director of the Company for the sale of GPS navigator which is subjected to normal credit terms.

(c) Advances to a director of a subsidiary

The advances to a director of a foreign subsidiary are unsecured, interest free and have no fixed terms of repayment.

16. TRADE AND OTHER RECEIVABLES (cont'd)

(d) Amount due from subsidiaries

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Further details on related party transactions are disclosed in Note 24.

Other information on financial risks of trade and other receivables are disclosed in Note 25.

17. CASH AND BANK BALANCES

| | Group | | Company | |
|------------------------------|-------------------|------------|------------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Cash on hand and at banks | 19,143,481 | 11,643,350 | 4,860,111 | 1,765,042 |
| Deposits with licensed banks | 2,971,406 | 6,355,048 | 509,965 | 4,868,045 |
| | 22,114,887 | 17,998,398 | 5,370,076 | 6,633,087 |

Other information on financial risks of cash and bank balances are disclosed in Note 25.

18. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|--|------------------|------------|------------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Current | | | | |
| Trade payables | | | | |
| Third parties | 2,205,108 | 1,701,103 | 1,403,323 | 1,082,332 |
| Other payables | | | | |
| Advance from a director | 16,000 | 50,000 | 16,000 | 50,000 |
| Accrued operating expenses | 1,851,525 | 2,022,490 | 691,464 | 490,970 |
| Payroll related expenses | 196,489 | 303,738 | 246,328 | 155,508 |
| Sundry payables | 433,571 | 513,927 | 103,721 | 255,357 |
| Due to a subsidiary | - | - | 3,223 | - |
| Dividend payable to minority shareholder of a subsidiary | - | 192,400 | - | - |
| | 2,497,585 | 3,082,555 | 1,060,736 | 951,835 |
| | 4,702,693 | 4,783,658 | 2,464,059 | 2,034,167 |

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days.

(b) Amount due to a subsidiary

The amount due to a subsidiary is unsecured, interest free and have no fixed terms of repayment.

Other information on financial risks of trade and other payables are disclosed in Note 25.

19. DEFERRED TAX

| | Group | |
|--|------------------|-------------|
| | 2009 | 2008 |
| | RM | RM |
| As at 1 July | 53,987 | 60,850 |
| Recognised in income statement (Note 9) | 7,212 | 4,050 |
| Foreign exchange differences | (5,618) | (10,913) |
| As at 30 June | 55,581 | 53,987 |
| Presented after appropriate offsetting as follows: | | |
| Deferred tax assets | (114,252) | (120,275) |
| Deferred tax liabilities | 169,833 | 174,262 |
| | 55,581 | 53,987 |

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

Deferred tax liabilities of the Group:

| | Property, plant and equipment RM |
|--------------------------------|---|
| As at 1 July 2008 | 174,262 |
| Recognised in income statement | - |
| Exchange differences | (4,429) |
| As at 30 June 2009 | 169,833 |
| As at 1 July 2007 | 60,850 |
| Recognised in income statement | 119,845 |
| Exchange differences | (6,433) |
| As at 30 June 2008 | 174,262 |

Deferred tax assets of the Group:

| | Unused tax losses RM |
|--------------------------------|-------------------------------------|
| As at 1 July 2008 | (120,275) |
| Recognised in income statement | 7,212 |
| Exchange differences | (1,189) |
| As at 30 June 2009 | (114,252) |
| As at 1 July 2007 | - |
| Recognised in income statement | (115,795) |
| Exchange differences | (4,480) |
| As at 30 June 2008 | (120,275) |

19. DEFERRED TAX (cont'd)

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

| | Group | | Company | |
|-------------------------------------|----------------|------------------|----------------|----------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Unused tax losses | | | | |
| - pre-pioneer | 792,000 | 792,000 | 792,000 | 792,000 |
| - others | 685,000 | 2,206,000 | - | - |
| Other taxable temporary differences | (545,000) | (97,000) | (545,000) | (97,000) |
| | 932,000 | 2,901,000 | 247,000 | 695,000 |

The unutilised tax losses of the Company are available for offsetting against future taxable profit subject to no substantial charge in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

20. SHARE CAPITAL AND TREASURY SHARES
(a) Share capital

| | Number of ordinary shares of RM 0.10 each | | Amount | |
|-------------------|--|-------------|-------------------|------------|
| | 2009 | 2008 | 2009 RM | 2008 RM |
| Authorised | | | | |
| At 1 July/30 June | 250,000,000 | 250,000,000 | 25,000,000 | 25,000,000 |

| | Number of ordinary shares of RM 0.10 each | | Amount | |
|-------------------------------|--|--------------------|------------------------|--------------------------|
| | Share capital | Treasury Shares | Share capital RM | Treasury shares RM |
| Issued and fully paid: | | | | |
| At 1 July 2007/30 June 2008 | 163,518,740 | - | 16,351,874 | - |
| Purchase of treasury shares | - | (172,000) | - | (65,204) |
| At 30 June 2009 | 163,518,740 | (172,000) | 16,351,874 | (65,204) |

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

(b) Treasury shares

This amount relates to the acquisition cost of treasury shares.

The shareholders of the Company, by an ordinary resolution passed in an extraordinary general meeting held on 27 May 2009 approved the Company's plan to repurchase its own ordinary shares. The directors of the Company believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

20. SHARE CAPITAL AND TREASURY SHARES (cont'd)**(b) Treasury shares (cont'd)**

During the year, the Company repurchased 372,000 of its issued ordinary shares from the open market at an average price of RM0.18 per share. The total consideration paid for the repurchase was RM65,204. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total of 163,518,740 (2008: 163,518,740) issued and fully paid ordinary shares as at 30 June 2009, 372,000 (2008: Nil) are held as treasury shares by the Company. As at 30 June 2009, the number of outstanding ordinary shares in issue after the setoff is therefore 163,146,740 (2008: 163,518,740) ordinary shares of RM0.10 each.

21. OTHER RESERVES (NON-DISTRIBUTABLE)**(a) Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(b) Special reserve

In financial year ended 30 June 2005, the Company has obtained approval from High Court of Malaya, pursuant to Section 64 of the Companies Act, 1965, to reduce the share premium account of the Company by RM16,074,240 and for such amount to be transferred to a Special Reserve Account and thereon to set off the goodwill arising from the acquisition of a wholly owned subsidiary, Messaging Technologies (H.K.) Limited against the Special Reserve Account.

22. RETAINED EARNINGS

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

The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 30 June 2009 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007.

As at 30 June 2009, the Company has tax exempt profits available for distribution of approximately RM22,718,000 (2008: RM23,838,000), subject to agreement of the Inland Revenue Board.

As at 30 June 2009, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM278,169 (2008: RM263,904) out of its retained earnings. If the balance of the retained earnings of RM17,983,789 were to be distributed as dividends, the Company may distribute such dividends under the single tier system or from tax exempt profits.

23. COMMITMENTS
a) Capital commitments

| | Group | | Company | |
|-----------------------------|---------------|------------|------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Capital expenditure | | | | |
| - Plant and equipment | | | | |
| Approved and contracted for | 55,000 | - | - | - |

b) Operating lease arrangements

The Group also leases various properties under cancellable operating lease agreements. The Group is required to give appropriate notice for the termination of those agreements.

24. RELATED PARTY DISCLOSURES

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

| | Group | | Company | |
|---|----------------|------------|---------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Transfer of plant and equipment to M3 Asia Sdn. Bhd. | - | - | 31,867 | - |
| Rental expenses charged by Litherland Limited, a company in which a director of the Company, i.e. Chew Shin Yong, Mark has interest | - | 93,789 | - | - |
| Rental expenses charged by Adventurous Limited, a company in a company in which a director of the Company, i.e. Chew Shin Yong, Mark has interest | 129,469 | 54,310 | - | - |

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on negotiated terms and conditions.

(b) Compensation of key management personnel

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

| | Group | | Company | |
|------------------------------|------------------|------------|------------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Short-term employee benefits | 1,395,561 | 1,017,752 | 710,831 | 569,154 |
| Defined contribution plan | 231,365 | 164,680 | 178,814 | 139,380 |
| Others | 120,526 | 128,725 | 114,390 | 122,390 |
| | 1,747,452 | 1,311,157 | 1,004,035 | 830,924 |

24. RELATED PARTY DISCLOSURES (cont'd)**(b) Compensation of key management personnel** (cont'd)

Included in the total remuneration of key management personnel are:

| | Group | | Company | |
|--------------------------------------|------------------|---------|----------------|---------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Directors' remuneration | | | | |
| - salaries other emoluments (Note 8) | 1,365,331 | 618,791 | 611,192 | 265,785 |
| Directors' fees (Note 7) | 116,808 | 124,632 | 112,000 | 120,000 |
| | 1,482,139 | 743,423 | 723,192 | 385,785 |

25. FINANCIAL INSTRUMENTS**(a) Financial risk management objectives and policies**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk (both fair value and cash flow), credit risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy not to trade in derivative financial instruments.

(b) Interest rate risk

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

The following tables set out the carrying amounts, the highest and lowest interest rates as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

25. FINANCIAL INSTRUMENTS (cont'd)

(b) Interest rate risk (cont'd)

| | Note | Highest % | Lowest % | Within 1 year RM | 1 - 2 years RM | Total RM |
|------------------------------|------|--------------|-------------|------------------------|-------------------|-------------|
| At 30 June 2009 | | | | | | |
| Group | | | | | | |
| Floating rate | | | | | | |
| Deposits with licensed banks | 17 | 13.75 | 1.35 | 2,971,406 | – | 2,971,406 |
| Company | | | | | | |
| Floating rate | | | | | | |
| Deposits with licensed banks | 17 | 3.10 | 2.90 | 509,965 | – | 509,965 |
| At 30 June 2008 | | | | | | |
| Group | | | | | | |
| Floating rate | | | | | | |
| Deposits with licensed banks | 17 | 8.50 | 2.60 | 6,355,048 | – | 6,355,048 |
| Company | | | | | | |
| Floating rate | | | | | | |
| Deposits with licensed banks | 17 | 2.65 | 2.60 | 4,858,045 | – | 4,858,045 |

(c) Foreign currency risk

The Group operates in Asia Pacific region and is exposed to various currencies, mainly Hong Kong Dollar, Singapore Dollar, Thai Baht, Chinese Renminbi, Pakistan Rupee and Indonesian Rupiah. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group did not hedge its foreign currency assets as the net unhedged position is deemed to be immaterial.

There are no significant unhedged financial assets and liabilities of the companies within the Group that are not denominated in their respective functional currencies.

(d) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash, cash convertible investments and committed credit lines available to meet its working capital requirements.

25. FINANCIAL INSTRUMENTS (cont'd)**(e) Credit risk**

The Group's credit risk is primarily attributable to trade and other receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments, other than as disclosed in Note 15.

(f) Fair values

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

Cash and cash equivalents, trade and other receivables/payables, due from/to subsidiaries

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

26. SEGMENT INFORMATION

Only geographical segment information is presented as the Group's activities are all within a single reportable business segment.

| 2009 | Malaysia RM | The People's Republic of China and Hong Kong RM | Other Asian Countries RM | Eliminations RM | Consolidated RM |
|--|------------------------|--|---|----------------------------|----------------------------|
| Revenue | | | | | |
| External sales | 14,123,750 | 5,272,345 | 15,587,735 | - | 34,983,830 |
| Inter-segment revenue | - | 834,908 | - | (834,908) | - |
| Total revenue | 14,123,750 | 6,107,253 | 15,587,735 | (834,908) | 34,983,830 |
| Result | | | | | |
| Segment results | 114,018 | 926,951 | 7,563,174 | 71,949 | 8,676,092 |
| Income tax expense | (186,988) | - | (2,301,808) | - | (2,488,796) |
| Net profit for the year | | | | | 6,187,296 |
| Assets and liabilities | | | | | |
| Segment assets | 20,217,599 | 6,269,831 | 33,904,220 | (7,016,720) | 53,374,930 |
| Tax assets | | | | | 122,186 |
| Consolidated total assets | | | | | 53,497,116 |
| Segment liabilities | 3,678,388 | 3,734,197 | 4,770,934 | (7,480,826) | 4,702,693 |
| Tax liabilities | | | | | 1,102,653 |
| Consolidated total liabilities | | | | | 5,805,346 |
| Other information | | | | | |
| Capital expenditure and product development expenditure | 1,047,943 | 201,710 | 248,763 | - | 1,498,416 |
| Amortisation of product development expenditure | 821,121 | 162,974 | - | - | 984,095 |
| Depreciation | 1,262,125 | 164,456 | 595,911 | (43,903) | 1,978,589 |
| Non-cash expenses other than depreciation and amortisation | (377) | 838 | - | 40,795 | 41,256 |

26. SEGMENT INFORMATION (cont'd)

| | Malaysia RM | The People's Republic of China and Hong Kong RM | Other Asian Countries RM | Eliminations RM | Consolidated RM |
|--|----------------|---|--------------------------------|--------------------|--------------------|
| 2008 (Restated) | | | | | |
| Revenue | | | | | |
| External sales representing total revenue | 12,210,932 | 4,417,950 | 15,690,050 | – | 32,318,932 |
| Result | | | | | |
| Segment results | 497,358 | 43,698 | 7,274,434 | 37,492 | 7,852,982 |
| Finance costs | | | | | (356) |
| Income tax expense | (269,314) | – | (1,980,710) | – | (2,250,024) |
| Net profit for the year | | | | | 5,602,602 |
| Assets and liabilities | | | | | |
| Segment assets | 20,357,238 | 5,083,955 | 30,354,912 | (5,470,429) | 50,325,676 |
| Tax assets | | | | | 122,288 |
| Consolidated total assets | | | | | 50,447,964 |
| Segment liabilities | 2,034,167 | 3,597,663 | 5,014,413 | (5,862,585) | 4,783,658 |
| Tax liabilities | | | | | 1,310,554 |
| Consolidated total liabilities | | | | | 6,094,212 |
| Other information | | | | | |
| Capital expenditure and product development expenditure | 817,282 | 256,170 | 680,607 | – | 1,754,059 |
| Amortisation of product development expenditure | 913,266 | 228,186 | – | – | 1,141,452 |
| Depreciation | 1,276,627 | 178,579 | 564,375 | (41,481) | 1,978,100 |
| Non-cash expenses other than depreciation and amortisation | 16,579 | 10,447 | 22,481 | 84,574 | 134,081 |

27. COMPARATIVES

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

| | Previously stated RM | Reclassifications RM | Restated RM |
|-----------------------------------|-------------------------|-------------------------|----------------|
| 2008 | | | |
| Income statement | | | |
| Group | | | |
| Cost of sales | (9,234,347) | (249,682) | (9,484,029) |
| Selling and distribution expenses | (4,964,006) | 188,947 | (4,775,059) |
| Administrative expenses | (10,411,484) | 105,312 | (10,306,172) |
| Other expenses | (418,422) | 303,792 | (114,630) |
| Income tax expense | (1,901,655) | (348,369) | (2,250,024) |
| Profit before tax | 7,504,257 | 348,369 | 7,852,626 |
| Company | | | |
| Administrative expenses | (4,602,039) | (1,509,727) | (6,111,766) |
| Other expenses | (1,765,099) | 1,747,628 | (17,471) |
| Income tax expense | (31,413) | (237,901) | (269,314) |
| Profit before tax | 2,698,814 | 237,901 | 2,936,715 |

The increase in the income tax expense of the Company and the Group is mainly due to the effects of the reclassification of withholding tax expenses in respect of sales and dividend income received.

LIST OF PROPERTY

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| Location | Description | Land area/ (Built-up area) | Tenure | Approximate Age of Building | Net Book Value RM |
|---|--------------------|---------------------------------------|---------------|--|------------------------------|
| 1007, Block A, Pusat Dagangan Phileo 2 Jalan16/11, 46350 Petaling Jaya | Office Lot | 2,506 sq.ft. | Freehold | 9 years | 539,894 |

| | |
|----------------------------------|---|
| Authorised Capital | : RM25,000,000.00 |
| Issued and Fully Paid-Up Capital | : RM16,351,874.00 comprising 163,518,740 Ordinary Shares of RM0.10 each |
| Class of Equity Securities | : Ordinary Shares of RM0.10 each ("Shares") |
| Voting Rights | : One vote per Share |

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

| No of Holders | Size of Holdings | No. of Shares | % # |
|---------------|---|--------------------|---------------|
| 27 | Less than 100 shares | 1,360 | * |
| 490 | 100 - 1,000 shares | 421,664 | 0.26 |
| 1,789 | 1,001 - 10,000 shares | 9,630,360 | 5.93 |
| 1,082 | 10,001 - 100,000 shares | 35,514,000 | 21.90 |
| 169 | 100,001 - less than 5% of issued shares | 90,083,856 | 55.55 |
| 2 | 5% and above of issued shares | 26,531,000 | 16.36 |
| 3,559 | Total | 162,182,240 | 100.00 |

* Negligible

Based on the issued and paid-up capital of the Company of RM16,351,874.00 comprising 163,518,740 Shares after deducting 1,336,500 treasury shares retained by the Company as per Record of Depositors.

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS (As per the Register of Substantial Shareholders)

| Name of Substantial Shareholders | Direct Interest | | Indirect Interest | |
|----------------------------------|-----------------|-------|---------------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Lim Seng Boon | 12,681,000 | 7.82 | 19,853,040 ⁽¹⁾ | 12.24 |
| Goh Lee Lang | 19,853,040 | 12.24 | 12,681,000 ⁽²⁾ | 7.82 |

Notes:

⁽¹⁾ Deemed interested by virtue of his spouse, Madam Goh Lee Lang's shareholdings in M3 Technologies (Asia) Berhad

⁽²⁾ Deemed interested by virtue of her spouse, Mr. Lim Seng Boon's shareholdings in M3 Technologies (Asia) Berhad

DIRECTORS' SHAREHOLDINGS (As per the Register of Directors' Shareholdings)

| Name of Directors | Direct Interest | | Indirect Interest | |
|---|-----------------|------|---------------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Dato' Ahmad Kabeer bin Mohamed Nagoor | – | – | 1,552,000 ⁽¹⁾ | 0.96 |
| Lim Seng Boon | 12,681,000 | 7.82 | 19,853,040 ⁽²⁾ | 12.24 |
| Krishnan Menon | 350,000 | 0.22 | – | – |
| Mohamad Najeb bin Ali | – | – | – | – |
| Chew Shin Yong, Mark | 2,130,600 | 1.31 | – | – |
| Lim Kooi Siang | – | – | – | – |
| Lim Keong Yew | – | – | 8,062,000 ⁽³⁾ | 4.97 |
| Lester Ratnakumar Neil Francis | 808,016 | 0.50 | – | – |
| YAM Tengku Muhammad Fakhry Petra Ibni Sultan Ismail Petra | – | – | – | – |

Notes:

⁽¹⁾ Deemed interested by virtue of his interest in AKN Capital Sdn. Bhd.

⁽²⁾ Deemed interested by virtue of his spouse, Madam Goh Lee Lang's shareholdings in M3 Technologies (Asia) Berhad

⁽³⁾ Deemed interested by virtue of his interest in Exodius Holdings Sdn. Bhd.

30 LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 SEPTEMBER 2009*(without aggregating the securities from different securities accounts belonging to the same person)*

| No | Name | No. of Shares held | % |
|----|---|--------------------|------|
| 1 | Goh Lee Lang | 15,100,000 | 9.31 |
| 2 | Lim Seng Boon | 11,431,000 | 7.05 |
| 3 | Lembaga Tabung Haji | 8,063,300 | 4.97 |
| 4 | Exodius Holdings Sdn Bhd | 8,062,000 | 4.97 |
| 5 | Chew Sau Yoong | 4,017,600 | 2.48 |
| 6 | Citigroup Nominees (Tempatan) Sdn Bhd <i>Exempt An For OCBC Securities Private Limited</i> | 3,350,000 | 2.07 |
| 7 | Goh Lee Lang | 3,000,000 | 1.85 |
| 8 | Choong Yean Yaw | 2,934,800 | 1.81 |
| 9 | Malahon Credit Company Limited | 2,836,800 | 1.75 |
| 10 | Hlg Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account For Yap Swee Hang</i> | 2,599,300 | 1.60 |
| 11 | Chew Shin Yong, Mark | 2,130,600 | 1.31 |
| 12 | Cha Lee Pin | 1,905,800 | 1.18 |
| 13 | Goh Lee Lang | 1,753,040 | 1.08 |
| 14 | Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Koek Tiang Kung</i> | 1,630,000 | 1.01 |
| 15 | CIMB Group Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For AKN Capital Sdn Bhd</i> | 1,512,000 | 0.93 |
| 16 | Lim Dean Yann | 1,378,700 | 0.85 |
| 17 | Ong Peh Hoon | 1,350,000 | 0.83 |
| 18 | Lim Seng Boon | 1,250,000 | 0.77 |
| 19 | Malahon Securities Limited | 1,163,200 | 0.72 |
| 20 | Ambank (M) Berhad <i>Pledged Securities Account For Ali Bin Abdul Kadir</i> | 1,089,000 | 0.67 |
| 21 | Lim Eng Thong | 1,083,900 | 0.67 |
| 22 | Koek Seam Cheng | 1,034,500 | 0.64 |
| 23 | Loh Lai Kim | 1,024,000 | 0.63 |
| 24 | HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (Malaysia) Trustee Berhad For Amanah Saham Sarawak</i> | 1,000,000 | 0.62 |
| 25 | Yong Chee Hoo | 1,000,000 | 0.62 |
| 26 | Lester Ratnakumar Neil Francis | 808,016 | 0.50 |
| 27 | Ang Leong Chai | 757,300 | 0.47 |
| 28 | Koh Young Seng | 651,000 | 0.40 |
| 29 | Ong Liang Ching | 647,100 | 0.40 |
| 30 | Lee Che Weng | 642,700 | 0.40 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of M3 TECHNOLOGIES (ASIA) BERHAD (“M3Tech” or “the Company”) will be held at Angsana Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 25 November 2009 at 10.30 a.m. to transact the following business:

A G E N D A

1. To receive the Audited Financial Statements for the financial year ended 30 June 2009 together with the reports of the directors and auditors thereon. **Please refer to Note i**
2. To declare a final tax exempt dividend of 10% for the financial year ended 30 June 2009. **Resolution 1**
3. To approve the payment of directors’ fees for the financial year ended 30 June 2009. **Resolution 2**
4. To re-elect the following Directors who retire in accordance with Article 104 of the Company’s Articles of Association:
 - i. Mr. Lim Seng Boon **Resolution 3**
 - ii. Mr. Krishnan Menon **Resolution 4**
 - iii. Dato’ Ahmad Kabeer bin Mohamed Nagoro **Please refer to Note ii**
5. To re-elect Mr. Lim Keong Yew who retires in accordance with Article 110 of the Company’s Articles of Association. **Resolution 5**
6. To appoint Auditors and to authorise the Directors to fix their remuneration. **Resolution 6**

Notice of Nomination pursuant to Section 172 (11) of the Companies Act, 1965, a copy of which is annexed on page 78 has been received by the Company for the nomination of Messrs. Horwath for appointment as Auditors and of the intention to propose the following ordinary resolution:

“THAT Messrs. Horwath be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young to hold office until the conclusion of the next annual general meeting at a remuneration to be agreed between the Directors and the Auditors.”

7. As Special Business:
To consider and if thought fit, to pass the following as Ordinary Resolution, with or without modifications:

ORDINARY RESOLUTION

PROPOSED RENEWAL OF THE AUTHORITY FOR THE PURCHASE OF UP TO 10% OF THE TOTAL ISSUED AND PAID-UP ORDINARY SHARE CAPITAL OF M3TECH (“PROPOSED RENEWAL”)

Resolution 7

“THAT, subject always to the Companies Act, 1965 (“the Act”), the provisions of the Memorandum and Articles of Association of the Company, Bursa Malaysia Securities Berhad (“Bursa Securities”) ACE Market Listing Requirements (“ACE LR”) and the approvals of any other relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the extent permitted by the law, to buy-back and/or hold such amount of ordinary shares of RM0.10 each in the Company (“M3Tech Shares”), as may be determined by the Directors of the Company from time to time, through Bursa Securities upon such terms and conditions for such purposes as the Directors may deem fit and expedient in the interest of the Company provided that:

- i. the aggregate number of M3Tech Shares bought-back and/or held as treasury shares does not exceed 10% of the total issued and paid up ordinary share capital of the Company subject to a restriction that the issued and paid up share capital of the Company does not fall below the applicable minimum share capital requirement and the public shareholding spread requirement of the ACE LR;
- ii. the maximum funds to be allocated for the share buy-back shall not exceed the aggregate of the retained profits and the share premium account of the Company; and

- iii. the M3Tech Shares purchased pursuant to the Proposed Renewal are to be treated in any of the following manners:
 - a. cancel the purchased M3Tech Shares;
 - b. retain the purchased M3Tech Shares as treasury shares to be held by the Company; or
 - c. retain part of the purchased M3Tech Shares as treasury shares to be held by the Company and cancel the remainder;

as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the ACE LR and any other relevant governmental and/or regulatory authorities. The treasury shares may be distributed as dividend to the shareholders and/or resold on the market of Bursa Securities and/or subsequently cancelled;

AND THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:

- a. the conclusion of the next annual general meeting ("AGM") of the Company following the general meeting at which this resolution was passed, unless by an ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- b. the expiration of the period within which the next AGM after the date it is required by law to be held; or
- c. revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting of the Company,

whichever occurs first, but not so as to prejudice the completion of the purchase(s) by the Company of the M3Tech Shares before the aforesaid expiry date and made in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any other relevant government and/or regulatory authorities;

AND THAT, the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise, complete or to effect the Proposed Renewal with full powers to assent to any conditions, modifications, resolutions, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as they may deem fit and expedient in the best interest of the Company to give effect to and to complete the purchase of the M3Tech Shares."

- 8. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a final tax exempt dividend of 10% in respect of the financial year ended 30 June 2009, if approved by the shareholders at the annual general meeting of the Company, will be paid on 8 January 2010 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 16 December 2009.

A depositor shall qualify for entitlement to the dividend only in respect of:

- a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 16 December 2009 in respect of ordinary transfers; and
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By order of the Board

TEA SOR HUA (MACS 01324)
CHAN BEE FANG (MAICSA 7032385)
Company Secretaries

Petaling Jaya, Selangor
3 November 2009

Notes:

- i. The Agenda No. 1 is meant for discussion only as the provision of S169(1) of the Companies Act, 1965 does not require a formal approval of shareholders and hence, is not put forward for voting.
- ii. Dato' Ahmad Kabeer bin Mohamed Nagoor who retires pursuant to Article 104 of the Articles of Association of the Company, had indicated to the Company that he does not wish to seek for re-election at the Tenth Annual General Meeting of the Company.
- iii. A shareholder shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a shareholder appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
- iv. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
- v. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, under the seal.
- vi. The instrument appointing a proxy must be deposited at the Registered office of the Company at Third Floor, No. 79 (Room A), Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

EXPLANATORY NOTE TO SPECIAL BUSINESS

The Ordinary Resolution proposed under Agenda 7 is to renew the shareholders' mandate for the share buy-back by the Company. The said proposed renewal of shareholders' mandate will empower the Directors to buy-back and/or hold up to a maximum of 10% of the Company's issued and paid-up share capital at any point of time, by utilizing the amount allocated which shall not exceed the total retained profits and/or share premium account of the Company. This authority unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next annual general meeting of the Company, or the expiration of period within which the next annual general meeting is required by law to be held, whichever is earlier.

Please refer to the Share Buy Back Statement to Shareholders dated 3 November 2009 for further details.

1. The Directors standing for re-election at the Tenth Annual General Meeting of the Company are as follows:
 - i. Mr. Lim Seng Boon (Article 104)
 - ii. Mr. Krishnan Menon (Article 104)
 - iii. Mr. Lim Keong Yew (Article 110)

Article 104 - At least one-third of the Directors for the time being shall retire from Office provided that all Directors, shall retire from office once at least in every three years but shall be eligible for re-election.

Article 110 - Any Director appointed to fill a casual vacancy or as an addition to the existing Directors shall hold office only until the next following Annual General Meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

2. Dato' Ahmad Kabeer bin Mohamed Nagoor who retires pursuant to Article 104 of the Articles of Association of the Company, had indicated to the Company that he does not wish to seek for re-election at the Tenth Annual General Meeting of the Company.
3. Details of Directors who are standing for re-election are set out in the Directors' Profile Section (page 6 to 9 of the Annual Report); while details of their interest in the securities of the Company are set out in the Analysis of Shareholdings - Directors' Shareholdings, which appear on page to of this Annual Report.

NOTICE OF NOMINATION OF AUDITORS

Goh Lee Lang
No. 35, Jalan Westlands
10400 Penang

Date: 30 September 2009

The Board of Directors
M3 TECHNOLOGIES (ASIA) BERHAD
Third Floor, No.79 (Room A)
Jalan SS21/60, Damansara Utama
47400 Petaling Jaya, Selangor

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

Persuant to Section 172(11) of the Companies Act, 1965, I, being a shareholder of the Company hereby give notice of my intention to nominate Messrs. Horwath for appointment as new auditors of the Company and to propose the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting:

“THAT Messrs. Horwath be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors.”

Yours faithfully,

Goh Lee Lang

PROXY FORM

M3 TECHNOLOGIES (ASIA) BERHAD

(482772-D)

(Incorporated in Malaysia)

I/We (full name in capital letters) _____ NRIC/Company No. _____ of (full address)

_____ being (a) member(s) of M3 TECHNOLOGIES

(ASIA) BERHAD hereby appoint (full name in capital letters) _____

NRIC No. _____ of (full address) _____

_____ or failing him/her, _____

NRIC No. _____ of (full address) _____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Tenth Annual General Meeting of the Company to be held at Angsana Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 25 November 2009 at 10.30 a.m. and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If no specific direction as to vote is given, the Proxy will vote or abstain from voting at his/her discretion.

| No. | Resolutions | For | Against |
|-----|--|-----|---------|
| 1. | To declare a final tax exempt dividend of 10% for the financial year ended 30 June 2009. | | |
| 2. | To approve the payment of directors' fees for the financial year ended 30 June 2009. | | |
| 3. | To re-elect Mr. Lim Seng Boon as director who retires pursuant to Article No. 104 of the Company's Articles of Association. | | |
| 4. | To re-elect Mr. Krishnan Menon as director who retires pursuant to Article No. 104 of the Company's Articles of Association. | | |
| 5. | To re-elect Mr. Lim Keong Yew as director who retires pursuant to Article No. 110 of the Company's Articles of Association. | | |
| 6. | To appoint Messrs. Horwath as Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young. | | |
| 7. | To approve the renewal of the authority for the Share buy-back by the Company. | | |

Dated this _____ day of _____ 2009

| |
|--------------------|
| NO. OF SHARES HELD |
| |

Signature of Member(s)/Common Seal

NOTES:

1. A shareholder shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a shareholder appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
2. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, under the seal.
4. The instrument appointing a proxy must be deposited at the Registered office of the Company at Third Floor, No. 79 (Room A), Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

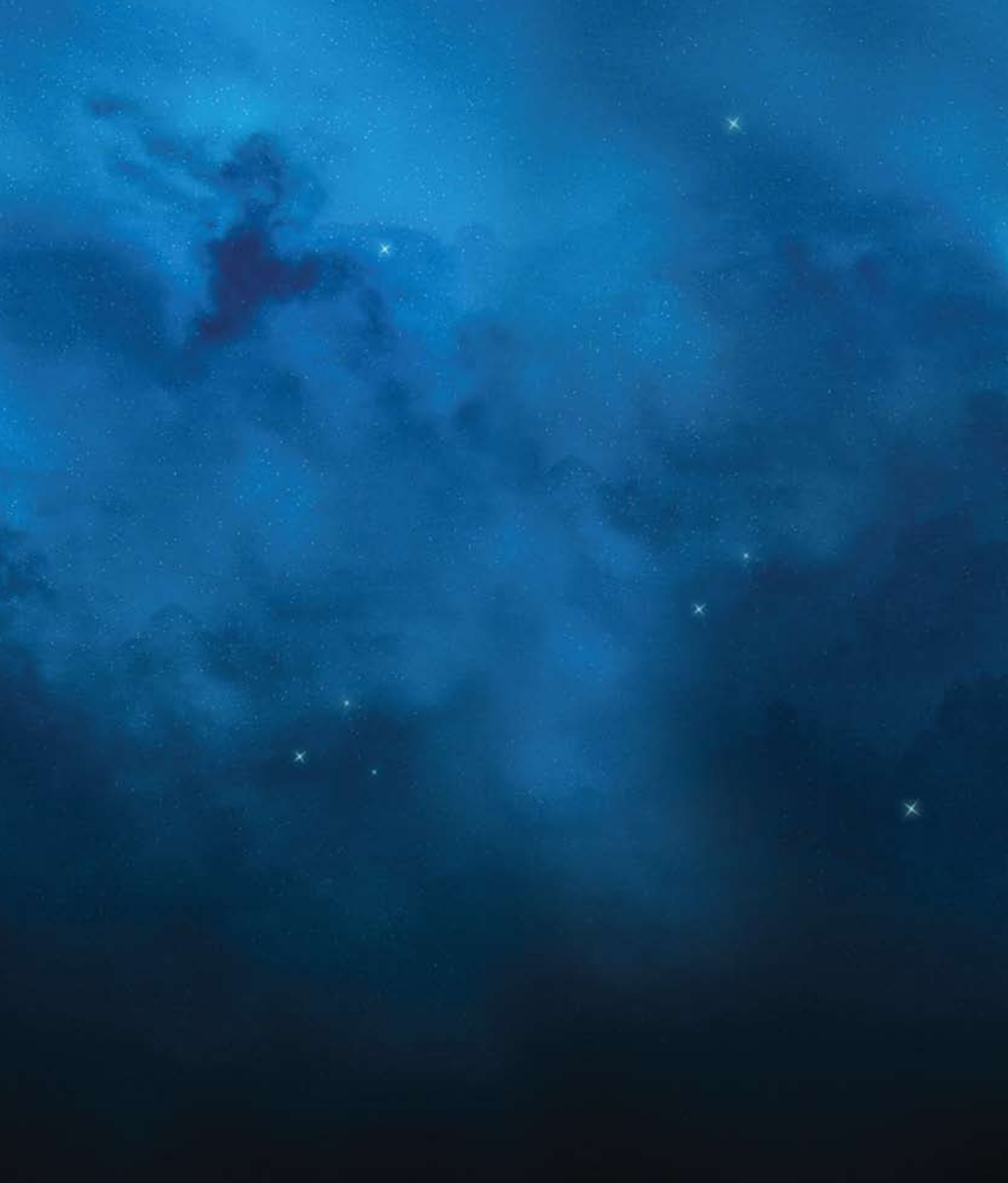
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STAMP

To:
M3 Technologies (Asia) Berhad (482772-D)

The Company Secretary
Third Floor, No. 79 (Room A)
Jalan SS21/60, Damansara Utama
47400 Petaling Jaya
Selangor, Malaysia

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M3 Technologies (Asia) Berhad (482772-D)

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