

MYKRIS LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2012

MYKRIS LIMITED
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FOR THE PERIOD ENDED 30 SEPTEMBER 2012

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MYKRIS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	<u>Unaudited</u> <u>Period Ended</u> <u>30/09/2012</u>	<u>Audited</u> <u>Period Ended</u> <u>31/03/2012</u>
Operating revenue	5,161,928	1,455,043
Cost of sales	<u>(2,905,009)</u>	<u>(581,780)</u>
Gross profit	2,256,919	873,263
Other revenue	3,424	-
Selling and distribution expenses	(49,984)	(76,941)
Administration expenses	(969,676)	(1,140,909)
Other expenses	<u>(494,176)</u>	<u>(295,958)</u>
Operating profit / (loss) before financing costs and taxation benefit / (expense)	746,507	(640,545)
Finance income	-	8,252
Finance expense	<u>(8,075)</u>	<u>(4,663)</u>
Net finance income / (expense)	<u>(8,075)</u>	<u>3,589</u>
Net profit / (loss) before income taxation benefit / (expense)	738,432	(636,956)
Taxation benefit / (expense)	<u>(40,122)</u>	<u>275,870</u>
Net profit / (loss) after income taxation benefit / (expense)	<u>698,310</u>	<u>(361,086)</u>
Other comprehensive income		
Movement in foreign currency translation reserve	<u>(63,066)</u>	<u>(177)</u>
Other comprehensive income / (loss) for the period	<u>(63,066)</u>	<u>(177)</u>
Total comprehensive income / (loss) for the period	<u>\$ 635,244</u>	<u>\$ (361,263)</u>
Earnings per share for loss attributable to the equity holders of the Parent company during the period:		
- Earnings per share (\$ per share)	0.01	(0.01)
- Diluted earnings per share (\$ per share)	0.01	(0.01)

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKRIS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Foreign Exchange Reserve</u>	<u>Total</u>
Balance at 30 September 2011	-	-	-	-
<u>Comprehensive income</u>				
Net loss for the period	-	(361,086)	-	(361,086)
Other comprehensive income				
Movement in foreign currency translation reserve	-	-	(177)	(177)
Total comprehensive income	-	(361,086)	(177)	(361,263)
<u>Transactions with owners</u>				
Issue of share capital	15,000,000	-	-	15,000,000
Total transactions with owners	15,000,000	-	-	15,000,000
Balance at 31 March 2012	<u>\$ 15,000,000</u>	<u>\$ (361,086)</u>	<u>\$ (177)</u>	<u>\$ 14,638,737</u>
<u>Comprehensive income</u>				
Net profit for the period	-	698,310	-	698,310
Other comprehensive income				
Movement in foreign currency translation reserve	-	-	(63,066)	(63,066)
Total comprehensive income	-	698,310	(63,066)	635,244
Total transactions with owners	-	-	-	-
Balance at 30 September 2012	<u>\$ 15,000,000</u>	<u>\$ 337,224</u>	<u>\$ (63,243)</u>	<u>\$ 15,273,981</u>

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKRIS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

	<u>Unaudited</u> As at <u>30/09/2012</u>	<u>Audited</u> As at <u>31/03/2012</u>
Shareholders equity		
Share capital	15,000,000	15,000,000
Retained earnings	337,224	(361,086)
Foreign currency translation reserve	(63,243)	(177)
Total shareholders equity	\$ 15,273,981	\$ 14,638,737
Current assets		
Cash and cash equivalents	1,337,884	1,336,724
Trade receivables	2,519,530	281,798
Prepayments and other current assets	1,018,475	901,466
Taxation receivable	-	49,529
Related party receivables	51,560	7,696
Deferred tax assets - current portion	37,357	38,732
Total current assets	4,964,806	2,615,945
Non current assets		
Property, plant and equipment	1,249,537	1,245,326
Intangible assets and goodwill	13,473,336	14,015,737
Total non current assets	14,722,873	15,261,063
Total assets	19,687,679	17,877,008
Current liabilities		
Trade and other payables	1,740,997	486,270
Taxation payable	48,673	-
Related party payables	53,406	26,969
Term borrowings - current portion	21,517	55,288
Deferred tax liabilities - current portion	327,687	333,661
Total current liabilities	2,192,280	902,188
Non current liabilities		
Term borrowings - non current portion	120,642	123,516
Deferred tax liabilities - non current portion	2,100,776	2,212,567
Total non current liabilities	2,221,418	2,336,083
Total liabilities	4,413,698	3,238,271
Total net assets	\$ 15,273,981	\$ 14,638,737
Net tangible assets per share (\$ per share)	0.03	0.01

For and on behalf of the Board of Directors, dated 14 December 2012:



Chew Choo Soon
Executive Chairman



Siow Hock Lee
Chairman Audit Committee

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKRIS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	<u>Unaudited</u> <u>Period Ended</u> <u>30/09/2012</u>	<u>Audited</u> <u>Period Ended</u> <u>31/03/2012</u>
Cashflows from operating activities		
<i>Cash was provided from:</i>		
Cash receipts from customers	2,810,696	2,860,972
Interest received	-	5,870
Other income received	3,424	-
<i>Cash was applied to:</i>		
Cash payments to suppliers and employees	(2,444,263)	(1,758,207)
Interest paid	(8,075)	(4,572)
Taxation paid	(58,309)	-
Other expenses paid	-	-
<u>Net cash flows from operating activities</u>	303,473	1,104,063
Cashflows from investing activities		
<i>Cash was applied to:</i>		
Purchase of property, plant and equipment	(241,622)	(233,639)
Payment of NZAX listing deposit	-	(20,000)
Purchase of computer software and development expenditure	(6,619)	(133,281)
<u>Cash flows from investing activities</u>	(248,241)	(386,920)
Cashflows from financing activities		
<i>Cash was provided from:</i>		
Issue of shares	-	43,600
Net related party receivables	(17,427)	118,318
<i>Cash was applied to:</i>		
Net repayment of borrowings	(36,645)	-
<u>Cash flows from financing activities</u>	(54,072)	161,918
Net cash flows	1,160	879,061
Cash and cash equivalents at the beginning of the period	1,336,724	-
Cash and cash equivalents acquired on purchase of subsidiaries	-	457,663
Cash and cash equivalents at the end of the period	\$ 1,337,884	\$ 1,336,724

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKRIS LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

1 REPORTING ENTITY

Mykris Limited is incorporated and domiciled in New Zealand. Mykris Limited is registered under the Companies Act 1993 and listed on the New Zealand Alternative Stock Exchange ('NZAX'). Mykris Limited is a reporting entity and an issuer for the purposes of the Financial Reporting Act 1993. The consolidated interim financial statements of Mykris Limited ('the Company') as at 30 September 2012 comprise the Company and its subsidiaries (collectively referred to as 'the Group').

The principal activity of the Group is that of a managed internet service provider.

These consolidated interim financial statements were authorised for issue by the directors on 14 December 2012.

Reporting Period

The Company was incorporated on 30 September 2011 and commenced trading on 1 October 2011. Accordingly the comparative information for the Group is for the six month period ended 31 March 2012.

2 BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Accounting policies and methods of computation

The same accounting policies and methods of computation have been followed in the preparation of these condensed consolidated interim financial statements as compared to the most recent annual financial statements of the Group for the period ended 31 March 2012.

Statement of compliance

The consolidated interim financial statements of the Group have been prepared in accordance with IAS 34 and NZ IAS 34 'Interim financial reporting' as appropriate for profit-oriented entities.

The consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated group financial statements as at and for the period ended 31 March 2012.

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect that application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgements made by managements in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated group financial statements as at and for the period ended 31 March 2012.

3 SEASONALITY/CYCLICALITY OF OPERATIONS

The Group's results are not affected to any significant extent by seasonality or cyclicity factors.

MYKRIS LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - *continued*
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

4 UNUSUAL ITEMS

There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

5 SHARE CAPITAL

	<u>Unaudited</u> <u>Period Ended</u> <u>30/09/2012</u>	<u>Audited</u> <u>Period Ended</u> <u>31/03/2012</u>
Share capital consists of:		
- Ordinary shares (refer below)	14,980,000	14,980,000
- Warrants (refer below)	20,000	20,000
Total share capital	\$ 15,000,000	\$ 15,000,000

(a) Ordinary shares

	<u>Number of</u> <u>Ordinary</u> <u>Shares</u>	<u>Value</u>
Balance at 30 September 2011	-	-
Ordinary share issue ⁱ	100	-
Ordinary share issue ⁱⁱ	56,000,000	14,000,000
Ordinary share issue ⁱⁱⁱ	2,000,000	500,000
Ordinary share issue ^{iv}	1,920,000	480,000
Balance at 31 March 2012	59,920,100	\$ 14,980,000
Movements during the period	-	-
Balance at 30 September 2012	59,920,100	\$ 14,980,000

These ordinary shares are fully paid and have no par value. The holder 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, and rank equally with regards to the Company's residual assets.

The following ordinary shares were issued:

- ⁱ On 30 September 2011 the Company issued 100 ordinary shares at \$0.00 per share upon incorporation of the Company.
- ⁱⁱ On 21 December 2011 the Company issued 56,000,000 ordinary shares at \$0.25 per share, which amounted to \$14,000,000 as total consideration for the acquisition of MyKRIS Asia Sdn Bhd ('MyKRIS Asia') and MyKRIS Net (MSC) Sdn Bhd ('MyKRIS Net'), refer also note 7.
- ⁱⁱⁱ On 21 December 2011 the Company issued 2,000,000 ordinary shares at \$0.25 per share, which amounted to \$500,000 as total consideration to Investment Research Group Limited for 500,000 Bartercard Trade Dollars.
- ^{iv} On 21 December 2011 the Company issued 1,920,000 ordinary shares at \$0.25 per share, which amounted to \$480,000 as total consideration to Investment Research Group Limited, for agreeing to act as a Sponsor for the purposes of the Company listing on the New Zealand Alternative Stock Exchange (NZAX).

There were no dividends paid on ordinary shares.

MYKRIS LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - *continued*
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

5 SHARE CAPITAL - *continued*

(b) Warrants	Number of Warrants	Value
Balance at 30 September 2011	-	-
Warrant issue ⁱ	6,000,000	20,000
Balance at 31 March 2012	6,000,000	\$ 20,000
Movements during the period	-	-
Balance at 30 September 2012	6,000,000	\$ 20,000

These warrants enable the warrant holder to subscribe for ordinary shares in the Company. Each warrant enables the warrant holder to subscribe for a specified number of ordinary shares in the Company at a specified exercise price and specified exercise method and within a specified time period.

The following warrants were issued:

- ⁱ On 21 December 2011 the Company issued 6,000,000 warrants at \$0.25 per warrant, which amounted to \$20,000 as total consideration to Investment Research Group Limited, each warrant being a warrant to subscribe for one (1) ordinary share in the Company at an exercise price of NZ\$0.25 each payable in cash on exercise, and to be exercisable at any time up to 31 December 2014. Investment Research Group Limited has not exercised any of their warrants as at reporting date.

No warrants were exercised, cancelled or forfeited.

6 OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors, as they make all key strategic resource allocation decisions (such as those concerning acquisition, divestment and significant capital expenditure).

Consistent with most recent annual financial statements of the Group, the Group is organised into one reportable operating segment only. The Group's product and service offering is that of a managed internet service provider.

	<u>Unaudited</u> <u>Period Ended</u> <u>30/09/2012</u>	<u>Audited</u> <u>Period Ended</u> <u>31/03/2012</u>
External revenue	5,161,928	1,455,043
Inter-segment revenue	-	-
Total	5,161,928	1,455,043
Net segment profit / (loss) before taxation	738,432	(636,956)
Taxation expense	(40,122)	275,870
Net profit / (loss) after taxation	\$ 698,310	\$ (361,086)
Total segment assets	\$ 19,687,679	\$ 17,877,008

MYKRIS LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - *continued*
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

7 GROUP COMPOSITION

Acquisition of MyKRIS Asia and MyKRIS Net

There were no changes to the composition of the Group during the interim period, i.e. no business combinations, no gain or loss of control of subsidiaries and long-term investments, no restructuring, and no discontinued operations.

During the period ended 31 March 2012, Mykris Limited acquired control of two Malaysian incorporated companies, MyKRIS Asia (MSC) Sdn Bhd ('MyKRIS Asia') and MyKRIS Net (MSC) Sdn Bhd ('MyKRIS Net'), on 21 December 2011 by way of a share swap. In turn MyKRIS Asia owns a 100% shareholding in a subsidiary company, MyKRIS (PG) Sdn Bhd ('MyKRIS Penang'), which is also a Malaysian incorporated company.

The following table summarises the consideration transferred by Mykris Limited for MyKRIS Asia and MyKRIS Net, the fair value of the assets acquired and debt assumed at the acquisition date under the sale and purchase agreement.

Consideration as at 21 December 2011

	MyKRIS Asia	MyKRIS Net	Total
Shares swapped	10,807,542	3,192,458	14,000,000
	\$ 10,807,542	\$ 3,192,458	\$ 14,000,000

Recognised amounts of identifiable assets acquired and liabilities assumed

	MyKRIS Asia	MyKRIS Net	Total
Net working capital	(145,701)	1,470,548	1,324,847
Property, plant and equipment	1,126,250	10,417	1,136,667
Intangible assets - software	-	662,083	662,083
Intangible assets - customer list	8,878,000	-	8,878,000
Intangible assets - goodwill	3,478,285	1,258,785	4,737,070
	\$ 13,336,834	\$ 3,401,833	\$ 16,738,667
Debt assumed	(365,417)	(153,750)	(519,167)
Deferred tax liabilities	(2,219,500)	-	(2,219,500)
Total identifiable net assets	\$ (2,584,917)	\$ (153,750)	\$ (2,738,667)

The goodwill arising from the acquisition is attributable to revenue growth, future market development and a assembled workforce from combining the operations of the MyKRIS Asia and MyKRIS Net and the MyKRIS Limited Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

No acquisition related costs have been charged to the profit or loss in the statement of comprehensive income for the period ended 31 March 2012.

For the trade receivables acquired (included in net working capital above), at acquisition date; the fair value of these trade receivables was \$1,347,963; the gross amount of these trade receivables was \$1,678,254; and the best estimate of contractual cash flows not expected to be collected was \$330,291.

MYKRIS LIMITED**SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - *continued***
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**7 GROUP COMPOSITION - *continued***

The amounts of revenue and profit or loss of the acquirees since acquisition date included in the statement of comprehensive income for the period ended 31 March 2012:

	MyKRIS Asia	MyKRIS Net	Total
Revenue	\$ 1,177,609	\$ 277,434	\$ 1,455,043
Profit or loss	\$ (274,218)	\$ 697,769	\$ 423,551

The amounts of revenue and profit or loss of the Group had the acquisition of the acquirees occurred at the beginning of the reporting period (i.e. 30 September 2011):

	Group
Revenue	\$ 3,774,930
Profit or loss	\$ (337,982)

MYKRIS LIMITED**SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - *continued***
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**8 RECONCILIATION OF NET LOSS AFTER TAXATION TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES**

	<u>Unaudited</u> <u>Period Ended</u> <u>30/09/2012</u>	<u>Audited</u> <u>Period Ended</u> <u>31/03/2012</u>
Profit / (loss) after tax	698,310	(361,086)
<i>Add/(less) non-cash items:</i>		
Depreciation	221,897	140,224
Amortisation	539,260	285,544
Impairment	(3,510)	9,315
Current tax	151,098	
Deferred tax	(110,975)	(188,754)
Effects of exchange rate	(34,560)	-
<i>Adjustment for items shown in investing activities:</i>		
Payment of NZAX listing deposit	-	20,000
<i>Adjustment for items shown in financing activities:</i>		
Receipt of Bartercard trade dollars for shares issued	-	500,000
Shares based payments for listing fees	-	500,000
Proceeds from the movement in director balances	(56,417)	(43,600)
<i>Add / less movements in working capital items:</i>		
Working capital acquired	-	969,846
Decrease / (increase) in trade receivables	(2,234,222)	(281,798)
Decrease / (increase) in prepayments and other current assets	(117,009)	(901,466)
Decrease / (increase) in tax receivables	(44,115)	(49,529)
Decrease / (increase) in related party receivables	17,824	(7,696)
(Decrease) / increase in trade and other payables and accruals	1,254,727	486,094
(Decrease) / increase in related party payables	21,165	26,969
Net cash inflow from operating activities	\$ 303,473	\$ 1,104,063

9 CONTINGENT ASSETS AND LIABILITIES

As described and detailed in the most recent annual financial statements of the Group for the period ended 31 March 2012 the company, ACN System Solutions Sdn. Bhd has brought a claim against subsidiary company MyKRIS Asia (MSC) Sdn Bhd ('MyKRIS Asia'). No provision has been made for this claim as the directors, based on solicitors' opinion, are of the view that the allegations of conspiracy between the MyKRIS Asia and the other defendants and causing losses and damages to the Plaintiff's claim against the MyKRIS Asia will fail and dismissed with cost. There were no other material contingencies at reporting date.

10 SUBSEQUENT EVENTS

On 12 December 2012, the Company declared a dividend of 0.7 cents per share, totalling \$491,441. It is expected to be paid on 1 February 2013.

MYKRIS LIMITED
COMPANY DIRECTORY

Company Number:	3568071
Nature of Business:	Managed Internet Service Provider
Issued Capital:	59,920,100 Ordinary Shares (Fully Paid)
Board of Directors:	Chew Choo Soon, Executive Chairman Chang Wai Hoong, Executive Director Siow Hock Lee, Independent Non-Executive Director Brent Douglas King, Independent Non-Executive Director Huei Min Lim, Independent Non-Executive Director
Registered Office:	Level 1, 18 Shortland Street, Auckland, 1010, New Zealand
Company Secretary:	Garth Ward Level 10, Swanson Towers, 20 Hobson Street, Auckland, New Zealand
Banker:	ANZ National Bank Limited 203 Queen Street, Cnr Queen & Victoria Streets Auckland, 1010, New Zealand Malayan Banking Berhad (Maybank) 8 & 10, Jalan SS 2/63, 47300 Petaling Jaya, Selangor, Malaysia
Auditor:	WHK Auckland, New Zealand Level 6, WHK Tower, 51-53 Shortland Street, Auckland, 1010, New Zealand
Solicitors:	Lowndes Associates Lowndes Associates House 18 Shortland Street, PO Box 7311 Auckland, New Zealand
Registrar:	Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, North Shore City, Private Bag 92119, Auckland, New Zealand
Listing:	New Zealand Alternative Exchange (NZAX) ISIN: NZMYKE0001S9
Website:	www.mykris.net

MYKRIS LIMITED
INFORMATION REQUIRED BY THE NZX

MYKRIS LIMITED		
Unaudited results for announcement to the market		
Reporting Period	6 months to 30 September 2012	
Comparative Reporting Period	6 months to 31 March 2012	
	Amount	Percentage change
Revenue from ordinary activities	5,161,928	255%
Profit (loss) from ordinary activities after tax	698,310	293%
Net profit (loss) attributable to security	0.01	
Interim Dividend	Amount per ordinary share 0.7 cents per share	Imputed amount Nil
Amount	\$419,441	Nil
Record Date	18 January 2013	
Dividend Payment Date	1 February 2013	

DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

The Directors of Mykris Limited (MYK) are pleased to present the unaudited interim results on the company's performance for the six months ended 30th September 2012.

Although globally the overall economic environment remains uncertain, some of our clients have experienced growth and have accelerated their ICT investment. This was beneficial to Mykris resulting in strong revenue and excellent results for the first half of the year.

Financial Results

It is pleasing to report that the Company's unaudited interim result was a net profit after tax of \$698,310.00, for the period ended 30th September 2012. This is compared with an after tax loss of (\$361,086.00) for the period ended 31 March 2012 due to one off listing expenses of \$510,823.

Mykris achieved half year revenue of \$5.16 million, and the major contribution to the encouraging performance was the announcement made on 08 June 2012 on two significant new contracts worth a total of \$2.85 million, being Pan Pacific Hotel, KLIA and Malaysia Airports (Sepang) Sdn Bhd.

These two new contracts represent an important milestone for Mykris in providing turnkey solutions. It demonstrated the company's capabilities to provide a complete unified communications network, content delivery and Internet Protocol Television (IPTV) solution platform for the hospitality industry besides the company's core business on managed services.

As at 30 September 2012 the group continues to maintain a strong cash position of \$1.34 million and the group has less than \$145,000.00 of total borrowing.

Mykris's share price has also reflected the positive developments at the Company during the first half of 2012, as its share price increased 33.33% from 1 April 2012 to 30 September 2012.

Dividend

The directors of Mykris are pleased to announce an interim dividend of 0.7 cents per share. The record date is 18 January 2013 and the payment date is 1 February 2013.

The financial statements for the six months ended 30 September 2012 show Mykris has a strong cashflow and limited debt on its balance sheet. As a result the Directors have decided to reward its shareholders for their support by declaring a dividend of 0.7 cents per share. Any future dividends will depend on the profitability of the future reporting period. It is the Directors objective to maintain and enhance this payment, however that will be reliant on the trading of each period.

Market Conditions

The outlook for the Asia-Pacific telecommunications industry is strong and positive with most parties expecting strong growth. Currently Mykris earns 95% of its income in Malaysia and we expect this to continue, however we are considering options in other markets.

COMMENTS ON INTERIM RESULTS - continued
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

Market Conditions (continued)

The market acceptance of the managed services and outsourcing business model for IT and business processes is improving. With increasing demand for faster and improved connectivity, Malaysia's telecommunications industry is poised to grow rapidly. We anticipate an increasing take-up for managed services in Malaysia as more enterprises realise their value.

Competition is our main challenge as more mobile and wireless service providers introduce their products and services into the market, with some of our rivals cutting prices to gain market share. In fact, by increasing the rate of broadband penetration in the country, all providers stand to gain bigger share from bigger pie.

Product Development and Outlook

Given the emerging IPTV services market in the hospitality industry in Malaysia, Mykris an exclusive distributor of a leading IPTV provider will continue to invest in the on-going development of the IPTV solution platform to accommodate future growth in the hospitality and new markets.

The momentum build up from the first half of the year has been encouraging with positive development such as the new senior appointment we have made, moving to our new office and real progress towards our strategic growth goals in Managed Services and One-stop High Speed Internet Access (HSIA). We are confident that we can continue the business growth momentum and remain focused on delivering customer experience and satisfaction. Looking ahead, the Board anticipates the second half results to be in line with forecast.

Mykris will continue to look for prudent growth and merger and acquisition opportunities for the business in order to drive value for our shareholders. Opportunities have been identified in New Zealand, Malaysia and South East Asia and these are being vigorously explored.

For more information on our activities, please refer to our website <http://www.mykris.net>

For and on behalf of the Board of Directors, dated 14 December 2012:



Chew Choo Soon
Executive Chairman



Siow Hock Lee
Chairman Audit Committee
Independent Non-Executive Director