

Part A - Explanatory Notes Pursuant to MFRS 134

1. Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with International Accounting Standards ("IAS") 34, *Interim Financial Reporting* issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2013. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2013.

2. Significant Accounting Policies

The accounting policies applied by the Group in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements of the Group for the financial year ended 30 June 2013. The Group has also adopted the following accounting standards and amendments which are effective for annual periods beginning on or after 1 January 2013 :

- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (revised)
- MFRS 127, Separate Financial Statements (revised)
- MFRS 128, Investments in Associates and Joint Ventures (revised)
- Amendments to MFRS 7, Financial Instruments : Disclosures - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, Consolidated Financial Statements : Transition Guidance
- Amendments to MFRS 11, Joint Arrangements : Transition Guidance
- Amendments to MFRS 12, Disclosure of Interests in Other Entities : Transition Guidance
- Annual Improvements to IC Interpretations and MFRSs 2009 - 2011 Cycle

The adoption of the above-mentioned accounting standards and amendments does not have any material impacts to the financial statements of the Group.

3. Seasonal or Cyclical Factors

The business of the Group is not affected by any significant seasonal or cyclical factors.

4. Unusual Items due to their Nature, Size or Incidence

There were no items affecting the assets, liabilities, equity, net income or cash flow of the Group that are unusual because of their nature, size or incidence for the current quarter under review.

5. Changes in Accounting Estimates and Errors

There were no changes in estimates that have a material effect in the current quarter under review.

6. Debt and Equity Securities

There were no issuance or repayment of debt and equity securities, share buy-back, shares cancellations, shares held as treasury shares and resale of treasury shares in the current quarter under review.

7. Dividend Paid

No dividend has been proposed for the financial period ended 31 March 2014.

8. Property, Plant and Equipment Valuation

There has been no valuation undertaken for the Group's property, plant and equipment.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group in the current quarter under review.

10. Contingent Liabilities and Contingent Assets

As at 17 May 2014 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report), there were no changes in contingent liabilities and contingent assets since 31 March 2014.

11. Capital commitments

There were no material capital commitments as at the end of the current quarter under review.

12. Segmental Information

Segmental information of the results of the Group for the cumulative quarter is as follows:

(i) Geographical Segment

9 months ended 31 Mar 14	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
External revenue	21,287	2,562	6,354	5,525	(5,023)	30,705
Segment results	(2,193)	(629)	1,841	(2,719)	(1,335)	(5,035)
Interest income/(expense)	14	1	-	15	-	30
Share of results of jointly controlled entity	-	-	-	-	(8)	(8)
Profit/(loss) before taxation	<u>(2,179)</u>	<u>(628)</u>	<u>1,841</u>	<u>(2,704)</u>	<u>(1,343)</u>	<u>(5,013)</u>
Segment assets	22,930	7,629	9,727	5,292	6,326	51,904
9 months ended 31 Mar 13	Malaysia RM'000	Thailand RM'000	Pakistan RM'000	Other Countries RM'000	Eliminations/ Adjustments RM'000	Group RM'000
External revenue	24,494	6,342	6,085	5,349	(2,953)	39,317
Segment results	(253)	1,848	2,002	(1,738)	(345)	1,514
Interest income/(expense)	7	13	-	70	-	90
Share of results of jointly controlled entity	-	-	-	-	(18)	(18)
Profit/(loss) before taxation	<u>(246)</u>	<u>1,861</u>	<u>2,002</u>	<u>(1,668)</u>	<u>(363)</u>	<u>1,586</u>
Segment assets	29,923	9,107	7,493	8,854	14,026	69,403

(ii) Business Segment

9 months ended 31 Mar 14	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
External revenue	19,164	16,564	(5,023)	30,705
Segment results	(775)	(2,925)	(1,335)	(5,035)
Interest income/(expense)	33	(3)	-	30
Share of results of jointly controlled entity	-	-	(8)	(8)
Profit/(loss) before taxation	<u>(742)</u>	<u>(2,928)</u>	<u>(1,343)</u>	<u>(5,013)</u>
Segment assets	32,870	12,708	6,326	51,904

12. Segmental Information (cont'd)

(ii) Business Segment (cont'd)

<u>9 months ended 31 Mar 13</u>	Mobile Solutions RM'000	Trading & Distribution RM'000	Eliminations/ Adjustments RM'000	Group RM'000
External revenue	21,762	20,508	(2,953)	39,317
Segment results	2,274	(415)	(345)	1,514
Interest income/(expense)	95	(5)	-	90
Share of results of jointly controlled entity	-	-	(18)	(18)
Profit/(loss) before taxation	<u>2,369</u>	<u>(420)</u>	<u>(363)</u>	<u>1,586</u>
Segment assets	36,408	18,969	14,026	69,403

13. Related party transactions

There was no related party transaction during the financial quarter under review.

14. Subsequent Events

There was no material event that took place between 1 April 2014 and 17 May 2014 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report) saved as disclosed under Note 19 - Status of corporate proposals.

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities for the ACE Market

15. Performance Review

Business Segment	Current quarter 3 months ended			Cumulative quarter 9 months ended	
	31-Mar-14	31-Mar-13	31-Dec-13	31-Mar-14	31-Mar-13
	RM'000	RM'000	RM'000	RM'000	RM'000
Mobile Solutions					
Revenue	5,778	6,667	5,140	16,426	20,929
Profit/(loss) before taxation	570	392	(284)	(742)	2,369
% Profit/(loss) before taxation	9.9%	6.4%	-5.5%	-4.5%	11.3%
Trading & Distribution					
Revenue	3,249	6,084	5,561	14,279	18,388
Profit/(loss) before taxation	(1,365)	(21)	(1,161)	(2,928)	(420)
% Profit/(loss) before taxation	-42.0%	-0.3%	-20.9%	-20.5%	-2.3%
Adjustment					
Profit/(loss) before taxation	(960)	37	(428)	(1,343)	(363)
Total					
Revenue	9,027	12,751	10,701	30,705	39,317
Profit/(loss) before taxation	(1,755)	408	(1,873)	(5,013)	1,586
% Profit/(loss) before taxation	-19.4%	3.2%	-17.5%	-16.3%	4.0%

Q3'2014 vs Q3'2013

The Group generated revenue of RM9.03 million for this reporting quarter ended 31 March 2014 ("Q3'2014"), representing a decrease of RM3.72 million as compared to RM12.75 million generated in the previous year corresponding quarter ended 31 March 2013 ("Q3'2013").

This has resulted in the decrease in profit before tax of RM2.16 million from RM0.41 million generated in Q3'2013 to loss before tax RM1.75 million in Q3'2014.

Q3'2014 vs Q2'2014

When compared to the previous quarter ended 31 December 2013 ("Q2'2014"), revenue of the group decreased by RM1.67 million from RM10.70 million to RM9.03 million in Q3'2014.

The loss before tax for Q3'2014 however has decreased by RM0.12 million as compared to loss before tax of RM1.87 million generated in Q2'2014.

Q1-Q3'2014 vs Q1-Q3'2013

The Group generated revenue of RM30.71 million for the 9 months ended 31 March 2014 ("Q1-Q3'2014"), representing a decrease of RM8.61 million as compared to RM39.32 million generated for the 9 months ended 31 March 2013 ("Q1-Q3'2013").

This has also resulted in the decrease in profit before tax of RM6.60 million from profit before tax of RM1.59 million generated in Q1-Q3'2013 to loss before tax of RM5.01 million in Q1-Q3'2014.

The loss experienced in Q3'2014 compared to Q2'2014 was contributed by the continuous decline in Value Added Services (VAS) and Distribution revenue namely in Thailand, Indonesia, Singapore and even in Malaysia. Although revenue has declined in Q3, we have managed to reduce the losses through more stringent controls in operational expenses.

16. Commentary on Prospects

As the challenging period of our business continues, strict cost management protocols are underway to reduce expenses across all subsidiaries. Focus is now being placed on the profitable channels only. Efforts to maximize the awareness of our i3D interactive touch screen solutions and standard/customized mobile applications are underway, with some success with acquiring clientele from the automotive, properties and retail sector.

New products for distribution are being introduced, which is expected to revive the retail and corporate sector in the related operations.

The Group notes that these operational losses in the past quarters will require both new business and continued stringent controls in managing and monitoring expenses to ensure sustainability. The Group remains cautiously optimistic to improve its performance by the end of this financial year ending 30th June 2014.

17. Profit Forecast and Profit Guarantee

The Group did not issue any profit forecast or profit guarantee.

18. Taxation

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31-Mar-14 RM'000	31-Mar-13 RM'000	31-Mar-14 RM'000	31-Mar-13 RM'000
In respect of current period:-				
- Malaysian tax	90	98	206	391
- Foreign tax	32	260	225	831
Under provision in prior year:-				
- Malaysian tax	-	29	-	29
	<u>122</u>	<u>387</u>	<u>431</u>	<u>1,251</u>

The effective tax rate for the current quarter was higher than the statutory tax rate mainly due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

19. Status of Corporate Proposals

Fotokem has fulfilled all the conditions precedent set out in the Share Sale and Purchase Agreement (“SPA”) in relation to the acquisition on 20 May 2014.

The cash consideration of RM5,998,438 for the proposed acquisition will be settled within 30 days from the date of fulfillment of the conditions precedent as set out in the SPA.

20. Group Borrowings and Debt Securities

The Group borrowings as at 31 March 2014 and 30 June 2013 are as follows:

	31-Mar-14 RM'000	30-Jun-13 RM'000
Current		
<u>Secured</u>		
- Obligation under finance leases	131	126
- Term loan	56	53
- Bank borrowings (Denominated in US Dollar)	-	2,638
	<hr/> 187	<hr/> 2,817
Non-current		
<u>Secured</u>		
- Obligation under finance leases	165	409
- Term loan	546	589
	<hr/> 711	<hr/> 998
Total Group borrowings	<hr/> <hr/> 898	<hr/> <hr/> 3,815

The Group did not have any debt securities as at 31 March 2014.

21. Realised and Unrealised Earnings or Losses Disclosure

The retained earnings as at 31 March 2014 and 30 June 2013 are analysed as follows:

	31-Mar-14 RM'000	30-Jun-13 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	15,066	20,750
- Unrealised	(62)	(337)
Total share of retained profits from a jointly controlled entity		
- Realised	(211)	(203)
Consolidation adjustments	2,156	2,286
Total group retained earnings as per unaudited consolidated financial statement	<hr/> <hr/> 16,949	<hr/> <hr/> 22,496

22. Changes in Material Litigation

As at 17 May 2014 (being the latest practicable date not earlier than seven (7) days from the date of issue of this report), the Company was not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group.

23. Earnings Per Share

The earnings per share was calculated by dividing the Company's profit after taxation and non-controlling interests by the weighted average number of ordinary shares in the respective period as follows:

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Profit/(loss) after tax and non-controlling interests (RM'000)	(1,957)	(66)	(5,547)	(15)
Weighted average number of ordinary shares in issue	177,057,240	177,057,240	177,057,240	169,903,462
<u>Earnings/(loss) Per Share</u> Basic/Diluted (Sen)	(1.11)	(0.04)	(3.13)	(0.01)

24. Derivatives

The Group did not enter into any derivatives during the current quarter under review.

25. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit and loss for the current quarter under review.

26. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 30 June 2013 was not qualified.

By order of the Board of Directors

Lim Seng Boon
Director
23 May 2014