

NOTES TO THE QUARTERLY REPORT –30 SEPTEMBER 2012

Part A - Explanatory Notes Pursuant to Financial Reporting Standards (“FRS”) 134 - Interim Financial Reporting

1. First-time adoption of Malaysian Financial Reporting Standards (MFRS)

The unaudited interim financial statements have been prepared in accordance with *MFRS 134: Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). This quarterly consolidated financial statements also complies with *IAS 34: Interim Financial Reporting* issued by the International Accounting Standards Board (IASB). For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (FRSs).

These interim financial statements are the Group’s first MFRS compliant interim financial statements and hence MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards (MFRS 1) has been applied. The date of transition to the MFRS framework is 1 January 2012. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this interim financial statements, are consistent with those of the audited financial statements for the year ended 31 December 2011.

The interim financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 December 2011. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the year ended 31 December 2011.

2. Significant Accounting Policies

As at the date of authorization of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRSs, Amendments to MFRSs and IC Interpretations		Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009) and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Group plans to apply the abovementioned MFRSs (and its consequential amendments) and Interpretations in the respective annual periods based on their effective dates and applicability.

The initial application of the above applicable standards (and its consequential amendments) and interpretations, is not expected to have any material impact on the financial statements of the Group.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements of the Group for the financial year ended 31 December 2011 was not subject to any qualification.

4. Comments About Seasonal or Cyclical Factors

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

5. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

6. Changes in Estimates

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

7. Changes in Debt and Equity Securities

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

8. Dividends Paid

There were no dividends paid during the current quarter under review.

9. Segmental Information

The segmental result of the Group for the financial period ended 30 September 2012 based on segment activities are as follows:-

	Mobile Applications	Wireless And Multimedia Related Services	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000
Revenue				
External sales	7,410	3,041	-	10,451
Inter-segment sales	-	5,920	(5,920)	-
	<u>7,410</u>	<u>8,961</u>	<u>(5,920)</u>	<u>10,451</u>
Results				
Loss before investment income and taxation				(2,379)
Investment income				<u>66</u>
Loss before taxation				(2,312)
Taxation				-
Loss for the period				<u>(2,312)</u>

10. Valuation of Property and Equipment

The Group did not revalue any of its equipment during the current quarter under review.

11. Subsequent Material Events

There were no material events subsequent to the end of the financial quarter which is not reflected in the financial statements of the current quarter under review.

12. Changes in the Composition of the Group

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

13. Contingent Assets and Contingent Liabilities

There were no material contingent assets and contingent liabilities as at the date of this report.

14. Commitments

There were no commitments as at the date of this report other than the following:-

	RM'000
Contracted but no provided:-	
- purchase of property	<u>406</u>

15. Significant Related Party Disclosures

Except as disclosed below, there were no other significant related party transactions during the current period under review:

Nature of Related Party Transactions	Transacting Related Parties	Note	Current To Date 30.9.2012 RM'000
Provision of advertisement and promotion services	Vizeum Media Services (M) Sdn. Bhd.	(a)	9
Provision of mobile application and digital production & creative services	Rapp (M) Sdn. Bhd	(b)	23
Provision of integrated communications services	Naga DDB SdnBhd	(c)	4
Talent Agency	Model.Com SdnBhd	(d)	<u>14</u>

Notes:

- (a) A company in which both Datuk Lee Fook Long and Lionel Koh Kok Peng are directors. Datuk Lee Fook Long, being a major shareholder of the Company (vide his substantial interest in Monaxis Sdn. Bhd.), is also a major shareholder of Vizeum Media Services (M) Sdn Bhd.
- (b) A company in which Datuk Lee Fook Long, a director and major shareholder of the Company (vide his substantial interest in Monaxis Sdn. Bhd.), is a director and major shareholder.
- (c) A company in which Datuk Lee Fook Long, a director and substantial shareholder of the Company vide his substantial interest in Monaxis Sdn. Bhd.), is a director and shareholder and Mr Lionel Koh Kok Peng, a director of the Company is a key management staff.
- (d) A company in which Mr Lionel Koh Kok Peng, a director of the Company, is a director and shareholder.

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

1. Detailed Performance Analysis

For the current quarter under review, the Group generated revenue of RM3.303 million, which represents a decrease of RM0.231 million as compared to RM3.534 million recorded in the corresponding quarter of the preceding year. Gross profit for the Group has dropped mainly due to the contraction of revenue from wireless application services as the authority has imposed additional restriction on the promotional channel. As a result of the lower gross profit generated during the quarter, the Group recorded a loss before taxation of RM0.830 as compared to a loss before taxation of RM0.228 million in the corresponding quarter of the preceding year.

Performance of the respective business segments for current quarter under review as compared to corresponding quarter of the preceding year is analysed as follows:-

Mobile Application – The increase in loss before tax by RM0.321 million to RM0.403 million was due to the decrease in revenue as the authorities have imposed additional restriction in the promotional channel which has stifled the overall SMS services. Despite this short term negative impact on the SMS segment, the management feel that this is a necessary move to weed out all the unscrupulous operators who have brought disrepute and tarnished this segment so that disputes that plague this segment can be minimised moving forward.

Wireless and Multimedia Related Services – The increase in loss before tax by RM0.281 million to RM0.427 million was mainly due to competitive pricing and intense price cutting in the market.

2. Material Changes in the Quarterly Results compared to the results of the Preceding Quarter

	Q3 2012 RM'000	Q2 2012 RM'000
Revenue	3,303	3,867
Loss before taxation	(830)	(675)

Group revenue for Q3 2012 was recorded at RM3.303 million compared to RM3.867 million in the preceding quarter. The decrease in revenue was due to decrease in the revenue derived from provision of mobile application platform from Short Message Service (SMS) to mobile phone users.

Group loss before taxation for the current quarter has increased by 23% mainly due to the lower revenue achieved in the current quarter.

3. Prospects

Moving forward, the Group expects the business environment of the mobile application and wireless services to continue to be challenging due to competitive pricing and restriction in the promotional channel in the industry. In order to drive new growth, the Group will focus on securing more client projects and to grow the subscriber base of its free to access ad-supported and subscription based music streaming service "WOWLOUD". Following the successful collaboration between "WOWLOUD" and U Mobile, the Group will continue to form strategic partnership to drive revenue and improve cost effectiveness for the promotion and marketing of the music service. The Directors expect losses to continue for the next quarter of this year pending revenue streaming in from "WOWLOUD" next year.

4. Profit Forecast and Profit Guarantee

The Group has not issued any profit forecast or profit guarantee in any public documents.

5. Taxation

There is no taxation charge on certain business income of the Group as MNCW was accorded the Multimedia Super Corridor status, which qualifies for the Pioneer Status incentive under the Promotion of Investment (Amendment) Act, 1986. The tax exemption period is valid for five (5) years from 31 January 2009 to 30 January 2014.

6. Unquoted Securities

There were no purchases or disposals of unquoted securities during the current quarter under review.

7. Quoted Securities

There were no purchases or disposals of quoted securities during the current quarter under review.

8. Status of Corporate Proposals

As at the date of issue of these interim financial statements, there were no corporate proposals announced but not completed in the current quarter under review.

9. Group Borrowings and Debt Securities

The Group borrowings as at 30 September 2012:-

<u>Secured borrowings</u>	<u>RM'000</u>
Non-current	1,373

10. Off Balance Sheet Financial Instruments

There is no material off balance sheet financial instruments as at the date of issue of these interim financial statements.

11. Changes in Material Litigation

There is no material outstanding litigation as at the date of issue of these interim financial statements.

12. Dividend Payable

The Board of Directors did not recommend any dividend for the current quarter under review.

13. Loss per Share

	Current Year Quarter 30.9.2012	Preceding Year Corresponding Quarter 30.9.2011	Current Year To Date 30.9.2012	Preceding Year To Date 30.9.2011
Basic loss per share				
Loss after taxation (RM'000)	(830)	(228)	(2,312)	(179)
Weighted average number of ordinary shares in issue ('000)	94,474	94,474	94,474	94,474
Basic loss per share (sen)	(0.88)	(0.24)	(2.45)	(0.19)

14. Realised and unrealised losses disclosure

	As at 30 Sept 2012 RM'000	As at 30 Jun 2012 RM'000
The accumulated loss of the Group :-		
- Realised	(3,747)	(2,917)
- Unrealised	-	-
Total Group accumulated losses as per consolidated accounts	<u>(3,747)</u>	<u>(2,917)</u>

15. Authorisation For Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 22 November 2012.