

NOTES TO THE QUARTERLY REPORT –31 MARCH 2015

Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 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 issued by the Malaysian Accounting Standards Board (“MASB”) and Chapter 9 of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

The accounting policies and methods of computation adopted by the Group in this interim financial statement are consistent with those adopted in the financial statements for the year ended 31 December 2014 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2015. The adoption of these standards, amendments and interpretations has no material impact to these interim financial statements.

The significant accounting policies applied in the interim financial report are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2014 except for the effects of newly issued Malaysian Financial Reporting Standards (“MFRS”) and IC Interpretations (“IC Int.”) to be applied by all Entities Other Than Private Entities for the financial period beginning on 1 January 2015:-

MFRSs (Including The Consequential Amendments)

Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014

The Group has not adopted the following MFRSs and Amendments to MFRSs which wherein issued but not yet effective:

MFRSs (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2017
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016

MFRSs (Including The Consequential Amendments) (Cont'd)	Effective Date
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The above accounting standards and interpretations (including the consequential amendments) are not expected to have a material impact to the financial statements of the Group operations except as follows:-

MFRS 9 (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements of the Group for the financial year ended 31 December 2014 was not subject to any qualification.

3. Comments About 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 unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

5. Changes in Estimates

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

6. 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.

7. Dividends Paid

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

8. Segmental Information

The segmental result of the Group for the financial period ended 31 March 2015 based on segment activities are as follows:-

	Wireless/ Mobile Services RM'000	Digital And Multimedia Related Services RM'000	Elimination RM'000	Consolidation RM'000
Revenue				
External sales	4,883	871	-	5,754
Inter-segment sales	-	2,007	(2,007)	-
	<u>4,883</u>	<u>2,878</u>	<u>(2,007)</u>	<u>5,754</u>
Results				
Profit before investment income and taxation				480
Investment income				5
Profit before taxation				<u>485</u>
Taxation				1
Profit for the period				<u>486</u>

9. Valuation of Property and Equipment

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

10. Subsequent 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.

11. Changes in the Composition of the Group

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

12. Contingent Assets and Contingent Liabilities

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

13. Commitments

There were no commitments as at the date of this report.

14. Significant Related Party Disclosures

There were no significant related party transactions during the current period under review.

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

1. Detailed Performance Analysis

	Q1 2015	Q1 2014
	RM'000	RM'000
Revenue	5,754	2,853
Profit/(Loss) before taxation	485	(298)

The Group revenue for the current quarter review increased by RM2.901 million compared to the corresponding quarter of the preceding year. The increase in revenue was mainly due to higher volume of wireless/mobile contents and services provided by the Group as a result of the continued efforts by the Group and its business partners to promote these services.

In line with the higher turnover, the Group recorded a profit of RM485,000 compared to a loss of RM298,000 in the same quarter of the preceding year. The increase in profit is due mainly to higher revenue share from the wireless/mobile services during the quarter and overall decrease in operating expenses following the full amortization of product development expenditures (“PDE”) and intangible assets in the previous financial year. The Group also realised a gain of approximately RM58,234 from the disposal by the Company of 903,100 shares in Mexter Technology Berhad.

The performance of the respective business segments is analysed as follows:-

	Q1 2015	Q1 2014
	RM'000	RM'000
Revenue:-		
- Wireless/Mobile Services	4,883	2,098
- Digital and multimedia related services	871	755
Profit/(Loss) before taxation		
- Wireless/Mobile Services	473	(338)
- Digital and multimedia related services	12	40

Wireless/Mobile Services – The Group recorded a profit before tax compared to a loss in the corresponding quarter of the preceding year. The turnaround was attributable mainly to the substantial increases in revenue derived from the wireless and mobile services against relatively lower infrastructural costs for the provision of these services.

Digital and Multimedia Related Services – The decrease in profit before tax is due mainly to higher cost from digital/multi-media projects during the current quarter under review.

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

	Q1 2015	Q4 2014
	RM'000	RM'000
Revenue	5,754	6,466
Profit/(Loss) before taxation	485	(44)

The Group's revenue for the current quarter under review decreased by RM712,000 as compared to the preceding quarter ended 31 December 2014. The lower revenue was mainly due to lower volume of business from both wireless/mobile services and digital and multimedia related

services following the promotions and digital campaigns undertaken by the content partners during the year-end festive period.

In line with the lower revenue, the Group recorded a gross profit of RM1.318 million for the current quarter under review against a gross profit of RM1.447 million in the preceding quarter ended 31 December 2014. During the quarter, the Group recorded higher gross profits from the subscription of in-house generated value added contents which helped to off-set the lower margin derived from its digital and multimedia business.

The Group recorded a profit before taxation of RM485,000 for the current quarter under review as compared to a loss before taxation of RM44,000 in the previous quarter. The disproportionately higher profit before taxation is again attributable to the overall reduction in operating expenses during the quarter under review, the full amortisation of PDE and intangible assets in the previous financial year and the gain arising from the disposal of shares in MTB.

3. Prospects

The market space in which the Group operates remains challenging with keener competition amongst players in the mobile application and wireless related sector. The competitive environment may give rise to finer rates for both the value added contents and bulk SMSes businesses.

Recognising these challenges, the Group has invested considerable resources in streamlining its operations and implemented various monitoring measures to optimise its infrastructure and operations across all business divisions. With a leaner structure and better focus, the Group will be better placed to compete and capitalise on the opportunities in the marketplace.

4. Profit Forecast and Profit Guarantee

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

5. Taxation

	Current Quarter		Cumulative Quarter	
	Q1 2015 RM'000	Q1 2014 RM'000	Q1 2015 RM'000	Q1 2014 RM'000
Current year tax	-	-	-	-
Prior year tax	1	-	1	-
Deferred tax	-	-	-	-
Tax expense	1	-	1	-

The current year tax expense is in respect of tax paid on interest earned on fixed deposit placed with licensed banks which is offsetted with tax income received for refund from prior years.

6. Status of Corporate Proposals

There were no corporate proposals announced but not completed in the current quarter under review.

7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2015 are as follow:-

<u>Term loans – secured</u>	<u>RM'000</u>
Current	150
Non-current	2,896
	<u>3,046</u>

8. Changes in Material Litigation

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

9. Dividend Payable

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

10. Loss per Share

	Current Year Quarter 31.03.2015	Preceding Year Corresponding Quarter 31.03.2014	Current Year To Date 31.03.2015	Preceding Year To Date 31.03.2014
Basic loss per share				
Profit/(Loss) after taxation (RM'000)	486	(297)	486	(297)
Weighted average number of ordinary shares in issue ('000)	94,474	94,474	94,474	94,474
Basic profit/(loss) per share (sen)	0.51	(0.31)	0.51	(0.31)

11. Profit/(Loss) Before Taxation

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

	Current Year Quarter 31.03.2015 RM'000	Current Year To Date 31.03.2015 RM'000
Interest income	(5)	(5)
Interest expense	32	32
Depreciation of equipment	46	46
Fixed assets written off	-	-
Allowance for impairment loss on receivables	-	-
Bad debts written off	-	-
Intangible asset written off/amortisation	-	-
PDE written off/amortisation	-	-
Gain on disposal of quoted investment	(58)	(58)
Gain on disposal of equipment	-	-

12. Realised and unrealised losses disclosure

	As at 31 Mar 2015 RM'000	As at 31 Mar 2014 RM'000
The accumulated losses of MNC Wireless Berhad and its subsidiaries :-		
- Realised	(6,761)	(7,210)
- Unrealised	-	-
Total Group accumulated losses as per consolidated accounts	<u>(6,761)</u>	<u>(7,210)</u>

13. 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 26 May 2015.

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