

**NOTES TO THE QUARTERLY REPORT –30 JUNE 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)**

|  | <b>Effective Date</b> |
|--|-----------------------|
| MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)   | 1 January 2018        |
| MFRS 14 Regulatory Deferral Accounts   | 1 January 2016        |
| MFRS 15 Revenue from Contracts with Customers  | 1 January 2017        |
| Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016        |

| <b>MFRSs (Including The Consequential Amendments) (Cont'd)</b>   | <b>Effective Date</b> |
|--|-----------------------|
| Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations                            | 1 January 2016        |
| 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 : 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 as 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 30 June 2015 based on segment activities are as follows:-

|   | Wireless/<br>Mobile<br>Services<br>RM'000 | Digital And<br>Multimedia<br>Related<br>Services<br>RM'000 | Elimination<br>RM'000 | Consolidation<br>RM'000 |
|---|---|--|-----------------------|-------------------------|
| <b>Revenue</b>                                  |   |  |                       |                         |
| External sales                                  | 8,814                                     | 1,777  | -                     | 10,591                  |
| Inter-segment sales                             | -   | 2,007  | (2,007)               | -                       |
|   | <u>8,814</u>                              | <u>3,784</u>   | <u>(2,007)</u>        | <u>10,591</u>           |
| <b>Results</b>                                  |   |  |                       |                         |
| Profit before investment<br>income and taxation |   |  |                       | 702                     |
| Investment income                               |   |  |                       | 8                       |
| Profit before taxation                          |   |  |                       | <u>710</u>              |
| Taxation  |   |  |                       | <u>(1)</u>              |
| Profit for the period                           |   |  |                       | <u><u>709</u></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

|                               | Q2 2015<br>RM'000 | Q2 2014<br>RM'000 |
|-------------------------------|-------------------|-------------------|
| Revenue                       | 4,837             | 3,916             |
| Profit/(Loss) before taxation | 225               | (83)              |

The Group revenue for the current quarter review increased by RM921,000 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 increased efforts by the Group and its business partners to promote these services.

In line with the higher turnover, the Group recorded a profit of RM225,000 compared to a loss of RM83,000 in the same quarter of the preceding year. This is mainly due to higher gross profit margins recorded by the Group.

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

|   | Q2 2015<br>RM'000 | Q2 2014<br>RM'000 |
|---|-------------------|-------------------|
| Revenue:-                                 |                   |                   |
| - Wireless/Mobile Services                | 3,931             | 2,857             |
| - Digital and multimedia related services | 906               | 1,059             |
| Profit/(Loss) before taxation             |                   |                   |
| - Wireless/Mobile Services                | 200               | (116)             |
| - Digital and multimedia related services | 25                | 33                |

Wireless/Mobile Services – The Group recorded a profit compared to a loss from corresponding quarter of the preceding year primarily due higher revenue contribution from its wireless/mobile services business segment and lower infrastructural costs for the provision of these services.

Digital and multimedia related services - Profit margins for digital/multimedia related services continued to be challenging with intense competition from keen players in the industry.

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

|                               | Q2 2015<br>RM'000 | Q1 2015<br>RM'000 |
|-------------------------------|-------------------|-------------------|
| Revenue                       | 4,837             | 5,754             |
| Profit/(Loss) before taxation | 225               | 485               |

The Group registered improving gross profit margin (GPM) of 28% (Q1'2015: 23%), mainly contributed by higher contribution from wireless/mobile services of in-house generated value-added content.

Reduction in revenue to RM4.837 million for Q2'2015, was the result of pull back in consumer spending with the Goods and Services Tax (GST) implementation in April 2015.

Correspondingly, profit before tax reduced to RM225,000 for Q2'2015, which was due to higher overall operating expenses, including expenses incurred for professional fees of corporate exercise, rental of servers racks, printing & stationery and insurance.

### 3. Prospects

Market environment remains challenging, more so with the general slowdown in the local economy, GST implementation, coupled with keener competition amongst players in the digital/multimedia and wireless/mobile services sector. All of which may result in lower revenue, in the respective business segments.

With this in mind, the Group has since streamlined its operations & optimized its infrastructure across all business segments, enabling the Group to be better placed to compete and capitalize on the opportunities in the market place and continue to intensify its business development efforts through more active client acquisition strategy.

### 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 |                   |
|------------------|-------------------|-------------------|--------------------|-------------------|
|                  | Q2 2015<br>RM'000 | Q2 2014<br>RM'000 | Q2 2015<br>RM'000  | Q2 2014<br>RM'000 |
| Current year tax | (2)               | -                 | (1)                | -                 |
| Deferred tax     | -                 | 1                 | -                  | 2                 |
| Tax expense      | <u>(2)</u>        | <u>1</u>          | <u>(1)</u>         | <u>2</u>          |

### 6. Status of Corporate Proposals

Except as disclosed below, there were no corporate proposals announced but not completed in the current quarter under review:

On 27 May 2015, Public Investment Bank Berhad ("PIVB") announced that the Company intends to undertake a proposed private placement of up to 9,447,350 Placement Shares, representing up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Private Placement"), to investor(s) to be identified at an issue price to be determined and announced later. Proceeds from the private placement are intended for working capital.

The application pursuant to the above Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad ("Bursa") on 28 May 2015.

PIVB has announced on 25 June 2015 that the listing and quotation for up to 9,447,350 Placement Shares has been approved by Bursa vide its letter dated 24 June 2015 (which was received 25 June 2015). The approval is subject to compliance of certain conditions as stipulated by Bursa in their letter dated 24 June 2015.

As of the date of the announcement, the private placement has not been completed.

On 25 August 2015, Public Investment Bank Berhad ("PIVB") announced that the Company proposes to undertake the following:

- i) Proposed Rights Issue with Warrants - proposed renounceable rights issue of up to 311,762,550 new ordinary shares of RM0.10 each in MNC (MNC Shares) (Rights Shares) together with up to 207,841,700 free detachable warrants (Warrants) at an indicative issue price of RM0.15 per Rights Share on the basis of three (3) Rights Shares together with two (2) Warrants for every one (1) existing MNC Share held on an

entitlement date to be determined and announced later based on a minimum subscription level of 33,000,000 Rights Shares together with 22,000,000 Warrants;

- ii) Proposed ESOS - proposed establishment of an employee share option scheme (ESOS or Scheme) of up to thirty per cent (30%) of the prevailing issued and paid-up share capital of the Company (excluding treasury shares) for the eligible employees (including Directors, either an executive Director or a non-executive Director) of the Group (excluding dormant subsidiaries), after the Proposed Rights Issue with Warrants, who meet the criteria of eligibility for participation in the ESOS as set out in the by-laws containing the rules, terms and conditions of the ESOS;
- iii) Proposed Increase in Authorised Share Capital - proposed increase in the authorised share capital of MNC from RM25,000,000 comprising 250,000,000 MNC Shares to RM100,000,000 comprising 1,000,000,000 MNC Shares; and
- iv) Proposed MOA Amendments - proposed amendments to the Memorandum of Association of MNC (MOA) to facilitate the Proposed Increase in Authorised Share Capital.

## 7. Group Borrowings and Debt Securities

The Group's borrowings as at 30 June 2015 are as follow:-

|                             |               |
|-----------------------------|---------------|
| <u>Term loans – secured</u> | <u>RM'000</u> |
| Current                     | 150           |
| Non-current                 | <u>2,858</u>  |
|                             | <u>3,008</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. Profit/(Loss) per Share

|  | Current Year<br>Quarter<br>30.06.2015 | Preceding<br>Year<br>Corresponding<br>Quarter<br>30.06.2014 | Current Year<br>To Date<br>30.06.2015 | Preceding<br>Year<br>To Date<br>30.06.2014 |
|--|---------------------------------------|---|---------------------------------------|--|
| <b>Basic earnings/(loss) per share</b>                           |                                       |   |                                       |  |
| Profit/(Loss) after taxation<br>(RM'000)                         | 223                                   | (82)  | 709                                   | (379)                                      |
| Weighted average number of<br>ordinary shares in issue<br>('000) | 94,474                                | 94,474  | 94,474                                | 94,474                                     |
| Basic earnings/(loss) per share<br>(sen)                         | 0.24                                  | (0.09)  | 0.75                                  | (0.40)                                     |

## 11. Profit/(Loss) Before Taxation

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

|  | <b>Current Year<br/>Quarter<br/>30.06.2015<br/>RM'000</b> | <b>Current Year<br/>To Date<br/>30.06.2015<br/>RM'000</b> |
|--|---|---|
| Interest income                              | (3)   | (8)   |
| Interest expense                             | 22  | 54  |
| Depreciation of equipment                    | 45  | 91  |
| 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        | (1)   | (59)  |
| Gain on disposal of equipment                | -   | -   |
|  | <hr/>   | <hr/>   |

## 12. Realised and unrealised losses disclosure

|   | <b>As at<br/>30 June 2015<br/>RM'000</b> | <b>As at<br/>30 June 2014<br/>RM'000</b> |
|---|--|--|
| The accumulated losses of MNC Wireless Berhad and its subsidiaries :- |  |  |
| - Realised  | (6,534)                                  | (7,291)                                  |
| - Unrealised  | -  | -  |
| Total Group accumulated losses as per consolidated accounts           | <hr/> <u>(6,534)</u>                     | <hr/> <u>(7,291)</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 27 August 2015.

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