

NOTES TO THE QUARTERLY REPORT –30 SEPTEMBER 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 were issued but not yet effective:

MFRSs (Including The Consequential Amendments)

	Effective Date
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

MFRSs (Including The Consequential Amendments) (Cont'd)	Effective Date
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: 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 September 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	12,540	2,945	-	15,485
Inter-segment sales	-	2,007	(2,007)	-
	<u>12,540</u>	<u>4,952</u>	<u>(2,007)</u>	<u>15,485</u>
Results				
Profit before investment income and taxation				1,188
Investment income				11
Profit before taxation				<u>1,199</u>
Taxation				<u>(332)</u>
Profit for the period				<u><u>867</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

	Q3 2015	Q3 2014
	RM'000	RM'000
Revenue	4,894	5,461
Profit before taxation	489	81

The Group revenue for the current quarter review decreased by RM567,000 compared to the corresponding quarter of the preceding year. The decrease in revenue was mainly due to lower volume of wireless/mobile contents and services provided by the Group as a result of reduction in consumer spending with the Goods and Services Tax (GST) implementation in April 2015.

Having said that, the Group recorded a profit of RM489,000 compared to a profit of RM81,000 in the same quarter of the preceding year. This increase is mainly due to overall lower distribution and administrative cost & higher other income recorded by the Group for the current quarter and also amortization of Product Development Expenditure (PDE) and intangible assets, in the same quarter of the preceding year.

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

	Q3 2015	Q3 2014
	RM'000	RM'000
Revenue:-		
- Wireless/Mobile Services	3,726	4,373
- Digital and multimedia related services	1,168	1,088
Profit before taxation		
- Wireless/Mobile Services	184	61
- Digital and multimedia related services	305	20

Wireless/Mobile Services – The Group recorded a higher profit compared to corresponding quarter of the preceding year, despite lower revenue, was due to better management of infrastructural cost, coupled with more effective advertising & lower administrative costs.

Digital and multimedia related services – The Group recorded a higher profit compared to the corresponding quarter of the preceding year, was due to securing of higher profit margin projects & lower administrative cost.

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

	Q3 2015	Q2 2015
	RM'000	RM'000
Revenue	4,894	4,837
Profit before taxation	489	225

The Group registered higher profit before tax of RM489,000, an increase of RM264,000, compared to preceding quarter, despite slight increase in revenue RM57,000, was primarily due to improving profit margins across all business segments, namely Wireless/Mobile Services and Digital/Multimedia related services, coupled with lower overall operating expense.

3. Prospects

Market environment remains challenging, more so with the general slowdown in the local economy, coupled with keener competition amongst players in the respective business segment markets, all of which may result in lower revenue in the respective business segments.

With this in mind, the Group will continue to further streamline its operations and continue to intensify its business development efforts through active client acquisition strategy & strategic business collaboration such as the recent Memorandum of Understanding signing agreement with Petrowangsa Sdn Bhd, to offer the Group's product & services to customers in the Oil & Gas industry.

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	
	Q3 2015 RM'000	Q3 2014 RM'000	Q3 2015 RM'000	Q3 2014 RM'000
Current year tax	(144)	-	(145)	-
Prior year tax	(187)	(6)	(187)	(6)
Deferred tax	-	1	-	3
Tax expense	<u>(331)</u>	<u>(5)</u>	<u>(332)</u>	<u>(3)</u>

The prior year and current year tax paid is attributable to expiry of the 10-year Pioneer Status exemption.

6. Status of Corporate Proposals

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

As of the date of the announcement, the private placement of up to 9,447,350 of new ordinary shares of RM0.10 each representing up to ten percent (10%) of the issued and paid-up share capital of the Company, which has been approved by Bursa Malaysia Securities Berhad ("Bursa") via its letter dated 24 June 2015 have not been issued yet pending the identification of investor(s) by the Board.

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.

On 28 September 2015, PIVB announced that with reference to the Company's announcement made on 25th August 2015 in relation to the Corporate Proposals, the Company has submitted the listing application to Bursa Securities for the following :-

- i) Admission of the Warrants to the Official List of the ACE Market of Bursa Securities; and
- ii) Listing of and quotation for the Rights Shares, the Warrants and the new MNC Shares to be issued arising from the exercise of the Warrants and Options on the ACE Market of Bursa Securities.

On 18 November 2015, PIVB announced that Bursa Securities had, vide its letter dated 17 November 2015 (which was received after 6.00 pm), approved the following:

- (i) Admission to the Official List of Bursa Securities and the listing of and quotation for up to 207,841,700 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants;
- (ii) listing of and quotation for up to 311,762,550 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
- (iii) listing of and quotation for up to 207,841,700 new MNC Shares to be issued pursuant to the exercise of the Warrants; and
- (iv) listing of and quotation for such number of new MNC Shares representing up to thirty percent (30%) of the total issued and paid-up share capital of MNC (excluding treasury shares) during the duration of the ESOS to be issued and allotted pursuant to the Proposed ESOS.

The approval is subject to compliance of certain conditions as stipulated by Bursa Securities in their letter dated 17 November 2015.

7. Group Borrowings and Debt Securities

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

<u>Term loans – secured</u>	<u>RM'000</u>
Current	150
Non-current	2,819
	<u>2,969</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 Quarter 30.09.2015	Preceding Year Corresponding Quarter 30.09.2014	Current Year To Date 30.09.2015	Preceding Year To Date 30.09.2014
Basic earnings/(loss) per share				
Profit/(Loss) after taxation (RM'000)	158	76	867	(298)
Weighted average number of ordinary shares in issue ('000)	94,474	94,474	94,474	94,474
Basic earnings/(loss) per share (sen)	0.17	0.08	0.92	(0.32)

11. Profit/(Loss) Before Taxation

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

	Current Year Quarter 30.09.2015 RM'000	Current Year To Date 30.09.2015 RM'000
Interest income	(3)	(11)
Interest expense	11	65
Depreciation of equipment	83	174
Gain on disposal of quoted investment	-	(59)

12. Realised and unrealised losses disclosure

	As at 30 Sep 2015 RM'000	As at 30 Sep 2014 RM'000
The accumulated losses of MNC Wireless Berhad and its subsidiaries :-		
- Realised	(6,374)	(7,207)
- Unrealised	-	-
Total Group accumulated losses as per consolidated accounts	<u>(6,374)</u>	<u>(7,207)</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 November 2015.