

M N C WIRELESS BERHAD
(Company No. 635884 - T)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013 (UNAUDITED)

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | Current Year Quarter 31.3.2013 <u>RM'000</u> | Preceding Year Quarter 31.3.2012 <u>RM'000</u> | Current Year To Date 31.3.2013 <u>RM'000</u> | Preceding Year To Date 31.3.2012 <u>RM'000</u> |
| Revenue | 2,626 | 3,281 | 2,626 | 3,281 |
| Cost of sales | <u>(1,591)</u> | <u>(2,394)</u> | <u>(1,591)</u> | <u>(2,394)</u> |
| Gross profit | 1,035 | 887 | 1,035 | 887 |
| Operating expenses | (1,734) | (1,712) | (1,734) | (1,712) |
| Investment income | 12 | 25 | 12 | 25 |
| Finance expenses | <u>(21)</u> | <u>(7)</u> | <u>(21)</u> | <u>(7)</u> |
| Loss before taxation | (708) | (807) | (708) | (807) |
| Taxation | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Loss for the period | (708) | (807) | (708) | (807) |
| Other comprehensive income | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total comprehensive expense for the period | <u>(708)</u> | <u>(807)</u> | <u>(708)</u> | <u>(807)</u> |
| Loss after taxation attributable to owners of the Company | <u>(708)</u> | <u>(807)</u> | <u>(708)</u> | <u>(807)</u> |
| Total comprehensive expenses attributable to owners of the Company | <u>(708)</u> | <u>(807)</u> | <u>(708)</u> | <u>(807)</u> |
| (Loss) per share | | | | |
| (i) Basic (Sen) | (0.75) | (0.85) | (0.75) | (0.85) |
| (ii) Diluted (Sen) | N/A | N/A | N/A | N/A |

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

M N C WIRELESS BERHAD
(Company No. 635884 - T)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013 (UNAUDITED)

| | As At 31.3.2013 Unaudited RM'000 | As At 31.12.2012 Audited RM'000 |
|---|---|--|
| Assets | | |
| Non-Current Assets | | |
| Other investment | 41 | 41 |
| Property and equipment | 4,333 | 3,281 |
| Product development expenditure | 1,588 | 1,771 |
| Intangible asset | 306 | 332 |
| | 6,268 | 5,425 |
| Current Assets | | |
| Inventories held for resale | 100 | 82 |
| Trade receivables | 2,340 | 2,319 |
| Other receivables, deposits and prepayments | 206 | 172 |
| Tax refundable | 13 | 13 |
| Short term deposits with licensed banks | 1,480 | 2,069 |
| Cash and bank balances | 863 | 1,050 |
| | 5,002 | 5,705 |
| Total assets | 11,270 | 11,130 |
| Equity and liabilities | | |
| Equity | | |
| Share capital | 9,447 | 9,447 |
| Share premium | 2,232 | 2,232 |
| Accumulated losses | (5,991) | (5,283) |
| Total Equity | 5,688 | 6,396 |
| Current Liabilities | | |
| Trade payables | 2,507 | 2,787 |
| Other payables and accruals | 388 | 498 |
| | 2,895 | 3,285 |
| Non Current Liability | | |
| Term loans | 2,687 | 1,449 |
| Total Liabilities | 5,582 | 4,734 |
| Total equity and liabilities | 11,270 | 11,130 |
| No. of ordinary shares ('000) | 94,474 | 94,474 |
| Net assets per ordinary share (sen) | 6.02 | 6.77 |

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

M N C WIRELESS BERHAD
 (Company No. 635884 - T)
 (Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013 (UNAUDITED)**

| | <u>Share Capital</u> RM'000 | <u>Share Premium</u> RM'000 | <u>Accumulated Losses</u> RM'000 | <u>Total</u> RM'000 |
|---|------------------------------------|------------------------------------|---|------------------------|
| Three (3) months ended 31 March 2013 | | | | |
| As at 1 January 2013 | 9,447 | 2,232 | (5,283) | 6,396 |
| Loss for the financial period | - | - | (708) | (708) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive expenses for the period | - | - | (708) | (708) |
| As at 31 March 2013 | <u>9,447</u> | <u>2,232</u> | <u>(5,991)</u> | <u>5,688</u> |
| Three (3) months ended 31 March 2012 | | | | |
| As at 1 January 2012 | 9,447 | 2,232 | (1,435) | 10,244 |
| Loss for the financial period | - | - | (807) | (807) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive expenses for the period | - | - | (807) | (807) |
| As at 31 March 2012 | <u>9,447</u> | <u>2,232</u> | <u>(2,242)</u> | <u>9,437</u> |

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

M N C WIRELESS BERHAD
(Company No. 635884 - T)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013 (UNAUDITED)

| | Curent Year To Date 31.3.2013 RM'000 | Preceding Year To Date 31.3.2012 RM'000 |
|--|---|--|
| Cash Flows (For)/From Operating Activities | | |
| (Loss)/Profit before taxation | (708) | (807) |
| Adjustments for:- | | |
| Non-cash items | 314 | 553 |
| Interest expense | 21 | 7 |
| Non-operating items | (12) | (25) |
| Operating (loss)/profit before working capital changes | <u>(385)</u> | <u>(272)</u> |
| Increase in inventories | (18) | - |
| Decrease/(Increase) in trade and other receivables | (55) | 182 |
| Increase/(Decrease) in trade and other payables | (390) | 38 |
| Net cash for operations | <u>(848)</u> | <u>(52)</u> |
| Interest paid | (21) | (7) |
| Tax refunded | - | - |
| Net cash for operating activities | <u>(869)</u> | <u>(59)</u> |
| Cash Flows (For)/From Investing Activities | | |
| Purchase of property and equipment | (1,157) | (1,107) |
| Product development expenditure incurred | - | (625) |
| Interest received | 12 | 25 |
| Net cash for investing activities | <u>(1,145)</u> | <u>(1,707)</u> |
| Cash Flow From/(For) Financing Activities | | |
| Drawdown of term loans | 1,157 | 1,022 |
| Net withdrawal/(repayment) of term loans | 81 | (304) |
| Net cash from financing activities | <u>1,238</u> | <u>718</u> |
| Net decrease in cash and cash equivalents | (776) | (1,048) |
| Cash and cash equivalents at beginning of the financial period | 2,919 | 5,055 |
| Cash and cash equivalents at end of the financial period | <u><u>2,143</u></u> | <u><u>4,007</u></u> |
| Represented By: | | |
| Cash and bank balances | 863 | 1,389 |
| Short term deposits with licensed banks | <u>1,480</u> | <u>2,818</u> |
| | 2,343 | 4,207 |
| Less : Short term deposits pledged as security | <u>(200)</u> | <u>(200)</u> |
| | <u><u>2,143</u></u> | <u><u>4,007</u></u> |

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE QUARTERLY REPORT –31 MARCH 2013

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 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 2012.

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 2012 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2013. 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 2012 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 2013:-

MFRS 9 Financial Instruments
MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of Interests in Other Entities
MFRS 13 Fair Value Measurements
MFRS 119 Employee Benefits (revised)
MFRS 127 Consolidated and Separate Financial Statements (revised)
MFRS 128 Investments in Associates and Joint Ventures (revised)
Amendments to First-time Adoption of MFRS - Government Loans MFRS 1
Amendments to Financial Instruments: Disclosures - Offsetting Financial Assets and MFRS 7 Financial Liabilities
Amendments to Consolidated Financial Statements: Transition Guidance MFRS 10
Amendments to Joint Arrangements: Transition Guidance MFRS 11
Amendments to Disclosure of Interests in Other Entities: Transition Guidance MFRS 12
Amendments to Presentation of Items of Other Comprehensive Income MFRS 101
Amendments to Annual Improvements 2009-2011 Cycle MFRSs
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements to MFRSs 2009 - 2011 Cycle

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

Amendments to Mandatory Effective Date of MFRS 9 and Transition Disclosures MFRS 9
Amendments to Consolidated Financial Statements: Investment Entities MFRS 10
Amendments to Disclosure of Interests in Other Entities: Investment Entities MFRS 12
Amendments to Consolidated and Separate Financial Statements: Investment Entities MFRS 127
Amendments to Financial Instruments: Presentation - Offsetting Financial Assets and MFRS 132 Financial Liabilities

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 2012 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 year ended 31 March 2013 based on segment activities are as follows:-

| | Mobile Applications RM'000 | Wireless And Multimedia Related Services RM'000 | Elimination RM'000 | Consolidation RM'000 |
|---|----------------------------------|---|-----------------------|-------------------------|
| Revenue | | | | |
| External sales | 1,615 | 1,011 | - | 2,626 |
| Inter-segment sales | - | 1,288 | (1,288) | - |
| | <u>1,615</u> | <u>2,299</u> | <u>(1,288)</u> | <u>2,626</u> |
| Results | | | | |
| Loss before investment income and taxation | | | | (720) |
| Investment income | | | | 12 |
| Loss before taxation | | | | <u>(708)</u> |
| Taxation | | | | - |
| Loss for the year | | | | <u>(708)</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 not provided for:- | |
| - purchase of property | <u>430</u> |

15. Significant Related Party Disclosures

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

| Nature of Related Party Transactions | Transacting Related Parties | Note | Current To Date |
|---|--------------------------------|------|---------------------|
| | | | 31.3.2013 RM'000 |
| Provision of mobile application and digital production & creative services | Rapp (M) Sdn. Bhd. | (a) | 7 |

Notes:

(a) 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.

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

1. Detailed Performance Analysis

| | Q1 2013 | Q1 2012 |
|----------------------|---------|---------|
| | RM'000 | RM'000 |
| Revenue | 2,626 | 3,281 |
| Loss before taxation | (708) | (807) |

The Group's revenue for the current quarter under review dropped by RM0.655 million as compared to the corresponding quarter of the preceding year. The drop in the revenue was due to decreased revenue from the mobile application platform and Short Message Service ("SMS") to mobile phone users. Reduction in the Group's loss before taxation by RM0.099 million was mainly due to increased margins from wireless and multimedia related services.

Performance of the respective business segments is analysed as follows:-

| | Q1 2013 | Q1 2012 |
|--|---------|---------|
| | RM'000 | RM'000 |
| Revenue:- | | |
| - Mobile Application | 1,615 | 2,366 |
| - Wireless and multimedia related services | 1,011 | 915 |
| (Loss)/Profit before taxation | | |
| - Mobile Application | (772) | (461) |
| - Wireless and multimedia related services | 64 | (346) |

Mobile Application – The increase in loss before tax was due to the decrease in revenue derived from the mobile application platform and Short Message Service ("SMS") to mobile phone users as a result of the additional restrictions imposed by the authorities on the promotional channels for the service, which has stifled the overall SMS services uptake.

Wireless and Multimedia Related Services – The decrease in loss before tax was mainly due to higher revenue achieved during the quarter and cost saving from administrative operation.

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

| | Q1 2013 | Q4 2012 |
|----------------------|---------|---------|
| | RM'000 | RM'000 |
| Revenue | 2,626 | 3,088 |
| Loss before taxation | (708) | (1,536) |

The Group revenue for the current quarter under review decreased by RM0.462 million as compared to the previous quarter. The drop in revenue was due to the drop in revenue derived from mobile application platform from Short Message Service ("SMS") to mobile phone users.

The Group recorded a loss before taxation of RM0.708 million as compared to a loss before taxation of RM1.536 million in the previous quarter. The loss before taxation in the previous quarter was mainly due to impairment of product development expenditure amounting to RM1.125 million.

3. Prospects

The Board expects the performance of the Group for the coming quarters to be challenging given the lower demand in the mobile application platform arising from the additional restrictions on the promotional channel imposed by the authorities. Notwithstanding that, the Group has started to focus on other business segments to offset the impact. The Group will continue to seek opportunity for business growth through the provision of mobile and digital solutions projects for clients and to grow the subscriber base for "WOWLOUD". Meanwhile, the Group is continuously taking measures to improve operational cost and efficiency in order to improve the Group's performance.

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's borrowings as at 31 March 2013 are as follow:-

| | |
|-----------------------------|---------------|
| <u>Term loans - secured</u> | <u>RM'000</u> |
| Non-current | 2,687 |

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 31.3.2013 | Preceding Year Corresponding Quarter 31.3.2012 | Current Year To Date 31.3.2013 | Preceding Year To Date 31.3.2012 |
|--|--------------------------------------|--|--------------------------------------|---|
| Basic loss per share | | | | |
| Loss after taxation (RM'000) | (708) | (807) | (708) | (807) |
| Weighted average number of ordinary shares in issue ('000) | 94,474 | 94,474 | 94,474 | 94,474 |
| Basic loss per share (sen) | (0.75) | (0.85) | (0.75) | (0.85) |

14. Realised and unrealized losses disclosure

| | As at 31 Mar 2013 RM'000 | As at 31 Mar 2012 RM'000 |
|--|--------------------------------|--------------------------------|
| The accumulated loss of MNC Wireless Berhad and its subsidiaries :- | | |
| - Realised | (5,991) | (2,242) |
| - Unrealised | - | - |
| Total Group accumulated losses as per consolidated accounts | <u>(5,991)</u> | <u>(2,242)</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 30 May 2013.