

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 30 JUNE 2013 (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.6.2013 <u>RM'000</u>	Preceding Year Quarter 30.6.2012 <u>RM'000</u>	Current Year To Date 30.6.2013 <u>RM'000</u>	Preceding Year To Date 30.6.2012 <u>RM'000</u>
Revenue	2,573	3,867	5,199	7,148
Cost of sales	<u>(1,645)</u>	<u>(2,604)</u>	<u>(3,236)</u>	<u>(4,998)</u>
Gross profit	928	1,263	1,963	2,150
Operating expenses	(1,628)	(1,946)	(3,362)	(3,658)
Investment income	10	21	22	46
Finance expenses	<u>(32)</u>	<u>(13)</u>	<u>(53)</u>	<u>(20)</u>
Loss before taxation	(722)	(675)	(1,430)	(1,482)
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the period	(722)	(675)	(1,430)	(1,482)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive expense for the period	<u>(722)</u>	<u>(675)</u>	<u>(1,430)</u>	<u>(1,482)</u>
Loss after taxation attributable to owners of the Company	<u>(722)</u>	<u>(675)</u>	<u>(1,430)</u>	<u>(1,482)</u>
Total comprehensive expenses attributable to owners of the Company	<u>(722)</u>	<u>(675)</u>	<u>(1,430)</u>	<u>(1,482)</u>
(Loss) per share				
(i) Basic (Sen)	(0.76)	(0.71)	(1.51)	(1.57)
(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
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013 (UNAUDITED)

	As At 30.6.2013 Unaudited RM'000	As At 31.12.2012 Audited RM'000
Assets		
Non-Current Assets		
Other investment	41	41
Property and equipment	4,480	3,281
Product development expenditure	1,406	1,771
Intangible asset	281	332
	6,208	5,425
Current Assets		
Inventories held for resale	-	82
Trade receivables	2,164	2,319
Other receivables, deposits and prepayments	279	172
Tax refundable	13	13
Short term deposits with licensed banks	1,488	2,069
Cash and bank balances	958	1,050
	4,902	5,705
Total assets	11,110	11,130
Equity and liabilities		
Equity		
Share capital	9,447	9,447
Share premium	2,232	2,232
Accumulated losses	(6,713)	(5,283)
Total Equity	4,966	6,396
Current Liabilities		
Trade payables	2,754	2,787
Other payables and accruals	435	498
Term loans	100	-
	3,289	3,285
Non Current Liability		
Term loans	2,855	1,449
Total Liabilities	6,144	4,734
Total equity and liabilities	11,110	11,130
No. of ordinary shares ('000)	94,474	94,474
Net assets per ordinary share (sen)	5.26	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.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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
Six (6) months ended 30 June 2013				
As at 1 January 2013	9,447	2,232	(5,283)	6,396
Loss for the financial period	-	-	(1,430)	(1,430)
Other comprehensive income	-	-	-	-
Total comprehensive expenses for the period	-	-	(1,430)	(1,430)
As at 30 June 2013	<u>9,447</u>	<u>2,232</u>	<u>(6,713)</u>	<u>4,966</u>
Six (6) months ended 30 June 2012				
As at 1 January 2012	9,447	2,232	(1,435)	10,244
Loss for the financial period	-	-	(1,482)	(1,482)
Other comprehensive income	-	-	-	-
Total comprehensive expenses for the period	-	-	(1,482)	(1,482)
As at 30 June 2012	<u>9,447</u>	<u>2,232</u>	<u>(2,917)</u>	<u>8,762</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
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013 (UNAUDITED)

	Curent Year To Date 30.6.2013 RM'000	Preceding Year To Date 30.6.2012 RM'000
Cash Flows (For)/From Operating Activities		
Loss before taxation	(1,430)	(1,482)
Adjustments for:-		
Non-cash items	619	1,121
Interest expense	53	20
Non-operating items	(22)	(46)
Operating loss before working capital changes	(780)	(387)
Decrease in inventories	82	-
Decrease in trade and other receivables	48	320
(Decrease)/Increase in trade and other payables	(96)	236
Net cash (for)/from operations	(746)	169
Interest paid	(53)	(20)
Net cash (for)/from operating activities	(799)	149
Cash Flows (For)/From Investing Activities		
Purchase of property and equipment	(1,402)	(1,219)
Product development expenditure incurred	-	(1,197)
Interest received	22	46
Net cash for investing activities	(1,380)	(2,370)
Cash Flow From/(For) Financing Activities		
Drawdown of term loans	1,402	1,127
Net withdrawal/(repayment) of term loans	104	(290)
Net cash from financing activities	1,506	837
Net decrease in cash and cash equivalents	(673)	(1,384)
Cash and cash equivalents at beginning of the financial period	2,919	5,055
Cash and cash equivalents at end of the financial period	2,246	3,671
Represented By:		
Cash and bank balances	958	1,033
Short term deposits with licensed banks	1,488	2,838
	2,446	3,871
Less : Short term deposits pledged as security	(200)	(200)
	2,246	3,671

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 –30 JUNE 2013

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 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 period ended 30 June 2013 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	3,353	1,846	-	5,199
Inter-segment sales	-	2,693	(2,693)	-
	<u>3,353</u>	<u>4,539</u>	<u>(2,693)</u>	<u>5,199</u>
Results				
Loss before investment income and taxation				(1,452)
Investment income				<u>22</u>
Loss before taxation				<u>(1,430)</u>
Taxation				<u>-</u>
Loss for the year				<u>(1,430)</u>

9. Valuation of Property and Equipment

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

10. 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.

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 other than the following:-

	RM'000
Contracted but not provided for:-	
- purchase of property	<u>184</u>

14. 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 30.6.2013 RM'000
Provision of mobile application and digital production & creative services	Rapp (M) Sdn. Bhd.	(a)	7
Provision of advertisement and promotion services	Vizeum Media Services (M) Sdn. Bhd.	(b)	2
Provision of integrated communications services	Naga DDB Sdn. Bhd.	(c)	4

Notes:

(a) A company in which Tan Sri Datuk Lee Fook Long, a major shareholder of the Company (vide his substantial interest in Monaxis Sdn. Bhd.), is a director and major shareholder.

(b) A company in which both Tan Sri Datuk Lee Fook Long and Lionel Koh Kok Peng are directors. Tan Sri 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.

(c) A company in which Tan Sri Datuk Lee Fook Long, a major 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.

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

1. Detailed Performance Analysis

	Q2 2013 RM'000	Q2 2012 RM'000
Revenue	2,573	3,867
Loss before taxation	(722)	(675)

The Group revenue for the current quarter review dropped by RM1.294 million compared to the corresponding quarter of the preceding year. The drop in revenue was mainly due to decreased revenues from the mobile application platform and Short Message Service ("SMS") to mobile phone users. The Group loss before taxation increased by RM0.047 million after the net impact of reduction of the revenue generated and decreases in the marketing and promotional costs.

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

	Q2 2013 RM'000	Q2 2012 RM'000
Revenue:-		
- Mobile Application	1,738	2,767
- Wireless and multimedia related services	835	1,100
Loss before taxation		
- Mobile Application	(625)	(595)
- Wireless and multimedia related services	(97)	(80)

Mobile Application – The increase in loss before tax mainly 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 slightly increase in loss before tax was mainly due to lower revenue achieved as the rigorous competition in the market.

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

	Q2 2013 RM'000	Q1 2013 RM'000
Revenue	2,573	2,626
Loss before taxation	(722)	(708)

The Group revenue for the current quarter under review decreased by RM0.053 million as compared to the previous quarter.

Loss before taxation for the current quarter increased by RM0.014 million to RM0.722 million as compared to loss before taxation of RM0.708 million generated in previous quarter.

3. Prospects

Moving forward, the Board expects intense competition and the restriction in the promotional channel imposed by the authorities will continue to be a challenge to the performance of the Group. Notwithstanding that, the Group remains committed to grow its core mobile messaging services and focus on driving growth through new mobile and digital solutions services. The Group will continue to grow its subscription based online music streaming service, WOWLOUD by identifying and seeking for suitable partnership opportunities in order to monetize and bring in new revenue to the Group. Meanwhile efforts to optimise its operational cost and efficiency will remain in place in order to remain competitive.

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 30 June 2013 are as follow:-

<u>Term loans – secured</u>	<u>RM'000</u>
Current	100
Non-current	<u>2,855</u>
	<u>2,955</u>

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 30.6.2013	Preceding Year Corresponding Quarter 30.6.2012	Current Year To Date 30.6.2013	Preceding Year To Date 30.6.2012
Basic loss per share				
Loss after taxation (RM'000)	(722)	(675)	(1,430)	(1,482)
Weighted average number of ordinary shares in issue (‘000)	94,474	94,474	94,474	94,474
Basic loss per share (sen)	(0.76)	(0.71)	(1.51)	(1.57)

14. Realised and unrealised losses disclosure

	As at 30Jun 2013 RM'000	As at 30 Jun 2012 RM'000
The accumulated loss of MNC Wireless Berhad and its subsidiaries :-		
- Realised	(6,713)	(2,917)
- Unrealised	-	-
Total Group accumulated losses as per consolidated accounts	<u>(6,713)</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 29 August 2013.