

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 YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2013 <u>RM'000</u>	Preceding Year Quarter 31.12.2012 <u>RM'000</u>	Current Year To Date 31.12.2013 <u>RM'000</u>	Preceding Year To Date 31.12.2012 <u>RM'000</u>
Revenue	3,979	3,088	13,057	13,539
Cost of sales	<u>(2,156)</u>	<u>(1,679)</u>	<u>(7,875)</u>	<u>(9,019)</u>
Gross profit	1,823	1,409	5,182	4,520
Operating expenses	(1,888)	(2,945)	(6,743)	(8,398)
Investment income	11	16	50	82
Finance expenses	<u>(35)</u>	<u>(16)</u>	<u>(123)</u>	<u>(52)</u>
Loss before taxation	(89)	(1,536)	(1,634)	(3,848)
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the period	(89)	(1,536)	(1,634)	(3,848)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive expense for the period	<u>(89)</u>	<u>(1,536)</u>	<u>(1,634)</u>	<u>(3,848)</u>
Loss after taxation attributable to owners of the Company	<u>(89)</u>	<u>(1,536)</u>	<u>(1,634)</u>	<u>(3,848)</u>
Total comprehensive expenses attributable to owners of the Company	<u>(89)</u>	<u>(1,536)</u>	<u>(1,634)</u>	<u>(3,848)</u>
(Loss) per share				
(i) Basic (Sen)	(0.09)	(1.63)	(1.73)	(4.07)
(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)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (UNAUDITED)

	As At 31.12.2013 Unaudited RM'000	As At 31.12.2012 Audited RM'000
Assets		
Non-Current Assets		
Other investment	941	41
Property and equipment	5,774	3,281
Product development expenditure	1,041	1,771
Intangible asset	230	332
	7,986	5,425
Current Assets		
Inventories held for resale	-	82
Trade receivables	3,622	2,319
Other receivables, deposits and prepayments	408	172
Tax refundable	4	13
Short term deposits with licensed banks	269	2,069
Cash and bank balances	1,540	1,050
	5,843	5,705
Total assets	13,829	11,130
Equity and liabilities		
Equity		
Share capital	9,447	9,447
Share premium	2,232	2,232
Revaluation reserve	1,039	-
Accumulated losses	(6,917)	(5,283)
Total Equity	5,801	6,396
Current Liabilities		
Trade payables	3,952	2,787
Other payables and accruals	552	498
Term loans	150	-
	4,654	3,285
Non Current Liability		
Term loans	3,028	1,449
Deferred taxation	346	-
Total Liabilities	8,028	4,734
Total equity and liabilities	13,829	11,130
No. of ordinary shares ('000)	94,474	94,474
Net assets per ordinary share (sen)	6.14	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
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)**

	<u>Share Capital</u> RM'000	<u>Share Premium</u> RM'000	<u>Revaluation Reserve</u> RM'000	<u>Accumulated Losses</u> RM'000	<u>Total</u> RM'000
Twelve (12) months ended 31 December 2013					
As at 1 January 2013	9,447	2,232	-	(5,283)	6,396
Loss for the financial year	-	-	-	(1,634)	(1,634)
Other comprehensive income - Revaluation of properties, net of tax	-	-	1,039	-	1,039
Total comprehensive expenses for the year	-	-	1,039	(1,634)	(595)
As at 31 December 2013	<u>9,447</u>	<u>2,232</u>	<u>1,039</u>	<u>(6,917)</u>	<u>5,801</u>
Twelve (12) months ended 31 December 2012					
As at 1 January 2012	9,447	2,232	-	(1,435)	10,244
Loss for the financial year	-	-	-	(3,848)	(3,848)
Other comprehensive income	-	-	-	-	-
Total comprehensive expenses for the year	-	-	-	(3,848)	(3,848)
As at 31 December 2012	<u>9,447</u>	<u>2,232</u>	<u>-</u>	<u>(5,283)</u>	<u>6,396</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 YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

	Curent Year To Date 31.12.2013 RM'000	Preceding Year To Date 31.12.2012 RM'000
Cash Flows From/(For) Operating Activities		
Loss before taxation	(1,634)	(3,848)
Adjustments for:-		
Non-cash items	1,614	3,470
Interest expense	123	52
Non-operating items	(50)	(82)
Operating profit /(loss) before working capital changes	<u>53</u>	<u>(408)</u>
Decrease/ (Increase) in inventories	82	(82)
(Increase)/Decrease in trade and other receivables	(1,636)	768
Increase in trade and other payables	1,219	490
Net cash (for)/from operations	<u>(282)</u>	<u>768</u>
Interest paid	(123)	(52)
Tax refunded	9	-
Net cash (for)/from operating activities	<u>(396)</u>	<u>716</u>
Cash Flows (For)/From Investing Activities		
Purchase of property and equipment	(1,493)	(1,779)
Purchase of quoted shares	(1,200)	-
Product development expenditure incurred	-	(2,188)
Interest received	50	82
Net cash for investing activities	<u>(2,643)</u>	<u>(3,885)</u>
Cash Flow From/(For) Financing Activities		
Drawdown of term loans	1,586	1,232
Net withdrawal/(repayment) of term loans	143	(199)
Net cash from financing activities	<u>1,729</u>	<u>1,033</u>
Net decrease in cash and cash equivalents	(1,310)	(2,136)
Cash and cash equivalents at beginning of the financial year	2,919	5,055
Cash and cash equivalents at end of the financial year	<u><u>1,609</u></u>	<u><u>2,919</u></u>
Represented By:		
Cash and bank balances	1,540	1,050
Short term deposits with licensed banks	269	2,069
	<u>1,809</u>	<u>3,119</u>
Less : Short term deposits pledged as security	(200)	(200)
	<u><u>1,609</u></u>	<u><u>2,919</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 DECEMBER 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:-

MFRSs and IC Interpretations (Including The Consequential Amendments)

MFRS 10 Consolidated Financial Statements

MFRS 11 Joint Arrangements

MFRS 12 Disclosure of Interests in Other Entities

MFRS 13 Fair Value Measurements

MFRS 119 (revised) Employee Benefits

MFRS 127 Separate Financial Statements

MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance

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:

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments	1 January 2015
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Company's operations except as follows:-

MFRS 9 & Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures

MFRS 9 replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories – those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. There will be no financial impacts on the financial statements of the Company upon its initial application but may impact its future disclosure.

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities. There will be no financial impacts on the financial statements of the Company upon its initial application but may impact its future disclosure.

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 December 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	8,871	4,186	-	13,057
Inter-segment sales	-	6,973	(6,973)	-
	<u>8,871</u>	<u>11,129</u>	<u>(6,973)</u>	<u>13,057</u>
Results				
Loss before investment income and taxation				(1,584)
Investment income				50
Loss before taxation				<u>(1,634)</u>
Taxation				-
Loss for the year				<u><u>(1,634)</u></u>

9. Valuation of Property and Equipment

Properties of the Group have been revalued in December 2013. Based on the valuation report prepared by Konsortium Perunding Hartanah Sdn. Bhd., a registered independent valuer, the fair value of the Group's properties is RM5,380,000. The carrying amount of the properties as at 31 December 2013 was RM3,994,400. The revaluation surplus was incorporated in the financial statements for the financial year ended 31 December 2013.

Saved for the above, the Group did not revalue any other of its equipment during the current quarter under review.

10. Subsequent Events

On 13 February 2014, the Group announced that Ho Jo Hun and Yap Sheau Chiann has agreed not to proceed with their requisition for the convening of an Extraordinary General Meeting pursuant to Section 144 of the Companies Act, 1965.

Saved as disclosed above, there were no other 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

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 31.12.2013 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)	5
Provision of integrated communications services	Naga DDB Sdn. Bhd.	(c)	31

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.

* Tan Sri Datuk Lee Fook Long has ceased to be a director and major shareholder (via his substantial interest in Monaxis Sdn Bhd) of the Company effective from 25 July 2013.

** Lionel Koh Kok Peng has ceased to be a director of the Company effective from 25 October 2013.

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

1. Detailed Performance Analysis

	Q4 2013 RM'000	Q4 2012 RM'000
Revenue	3,979	3,088
Loss before taxation	(89)	(1,536)

The Group revenue for the current quarter review increased by RM0.891 million compared to the corresponding quarter of the preceding year. The increase in revenue was mainly due to increased revenues from the mobile application platform and Short Message Service (“SMS”) to mobile phone users.

The Group loss before taxation decreased by RM1.447 million mainly due to following:

- higher revenue achieved during the current quarter;
- absence of the written off of product development expenditure of RM1.125 million which was recorded in the corresponding quarter of the preceding year; and
- apart from the additional of legal fees, impairment loss on quoted shares and provision for doubtful debts with total amounting to RM0.56 million, the overall operating expenses for the current quarter under review has decreased.

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

	Q4 2013 RM'000	Q4 2012 RM'000
Revenue:-		
- Mobile Application	2,590	1,830
- Wireless and multimedia related services	1,389	1,258
(Loss)/Profit before taxation		
- Mobile Application	(729)	(1561)
- Wireless and multimedia related services	640	25

Mobile Application – The decrease in loss before tax was mainly due to the increase in revenue derived from the mobile application platform and SMS to mobile phone users as a result of continuous efforts by the Group through securing more subscribers and decrease in others operating expenses which was offset with the increase of legal fee, impairment loss on quoted shares and provision for doubtful debts with total amounting to RM0.56 million. The higher loss of the corresponding quarter of the preceding year was the result of written off of product development expenditure of RM1.125 million.

Wireless and Multimedia Related Services – The profit before tax was due to lower staff costs incurred.

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

	Q4 2013 RM'000	Q3 2013 RM'000
Revenue	3,979	3,879
Loss before taxation	(89)	(115)

The Group revenue for the current quarter under review increased by RM0.100 million as compared to the previous quarter was mainly due to increased revenues from wireless and multimedia related services.

Loss before taxation for the current quarter decreased by RM0.026 million to RM0.089 million as compared to loss before taxation of RM0.115 million generated in the previous quarter. The improvement of the results was mainly due to higher revenue generated during the quarter under review with the decrease in overall operating expenses.

3. Prospects

The prospect of the Group in the near future is expected to remain challenging and more competitive. Nevertheless the Group will persevere to improve its operational performance by focusing on the development of its existing mobile and digital business through acquiring more corporate clients and digital projects. In addition, the Group will continue to explore new partnership opportunities for its services in order to bring in more revenue and create synergy that would help to improve cost effectiveness. Meanwhile efforts to increase operational efficiency through stringent cost control and careful allocation of resources will continue to be 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 MNC Wireless Berhad 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. Status of Corporate Proposals

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

On 25 September 2013, RHB Investment Bank Berhad announced that the Company intends to undertake a proposed private placement of up to 10% of the issued and paid-up share capital of the Company ("Proposed Private Placement") and the 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 17 October 2013 and is currently pending the approval from Bursa.

7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 December 2013 are as follow:-

<u>Term loans – secured</u>	<u>RM'000</u>
Current	150
Non-current	<u>3,028</u>
	<u><u>3,178</u></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 31.12.2013	Preceding Year Corresponding Quarter 31.12.2012	Current Year To Date 31.12.2013	Preceding Year To Date 31.12.2012
Basic loss per share				
Loss after taxation (RM'000)	(89)	(1,536)	(1,634)	(3,848)
Weighted average number of ordinary shares in issue ('000)	94,474	94,474	94,474	94,474
Basic loss per share (sen)	(0.09)	(1.63)	(1.73)	(4.07)

11. Notes to the comprehensive income statement

	Current Year Quarter 31.12.2013 RM'000	Current Year To Date 31.12.2013 RM'000
Interest income	(11)	(50)
Interest expense	35	123
Depreciation and amortisation	293	1,213
Fixed assets written off	4	4
Provision for and write off of receivables	97	100
Provision for and write off of inventories	-	-
(Gain)/loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Foreign exchange gain or loss	-	-
(Gain)/loss on derivatives	-	-
Impairment of quoted shares	300	300

12. Realised and unrealized losses disclosure

	As at 31 Dec 2013 RM'000	As at 31 Dec 2012 RM'000
The accumulated loss of MNC Wireless Berhad and its subsidiaries :-		
- Realised	(6,617)	(5,283)
- Unrealised	(300)	-
Total Group accumulated losses as per consolidated accounts	<u>(6,917)</u>	<u>(5,283)</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 February 2014.