

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 2014 (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.3.2014 <u>RM'000</u>	Preceding Year Quarter 31.3.2013 <u>RM'000</u>	Current Year To Date 31.3.2014 <u>RM'000</u>	Preceding Year To Date 31.3.2013 <u>RM'000</u>
Revenue	2,853	2,626	2,853	2,626
Cost of sales	<u>(1,863)</u>	<u>(1,591)</u>	<u>(1,863)</u>	<u>(1,591)</u>
Gross profit	990	1,035	990	1,035
Operating expenses	(1,254)	(1,734)	(1,254)	(1,734)
Investment income	2	12	2	12
Finance expenses	<u>(36)</u>	<u>(21)</u>	<u>(36)</u>	<u>(21)</u>
Loss before taxation	(298)	(708)	(298)	(708)
Taxation	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
Loss for the period	(297)	(708)	(297)	(708)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive expenses for the period	<u>(297)</u>	<u>(708)</u>	<u>(297)</u>	<u>(708)</u>
Loss after taxation attributable to owners of the Company	<u>(297)</u>	<u>(708)</u>	<u>(297)</u>	<u>(708)</u>
Total comprehensive expenses attributable to owners of the Company	<u>(297)</u>	<u>(708)</u>	<u>(297)</u>	<u>(708)</u>
(Loss) per share				
(i) Basic (Sen)	(0.31)	(0.75)	(0.31)	(0.75)
(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 2013 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 2014 (UNAUDITED)

	As At 31.3.2014 Unaudited RM'000	As At 31.12.2013 Audited RM'000
Assets		
Non-Current Assets		
Other investment	941	941
Property and equipment	5,656	5,774
Product development expenditure	859	1,041
Intangible asset	204	230
	<u>7,660</u>	<u>7,986</u>
Current Assets		
Trade receivables	3,238	3,622
Other receivables, deposits and prepayments	348	408
Tax refundable	4	4
Fixed deposits with a licensed bank	269	269
Cash and bank balances	1,142	1,540
	<u>5,001</u>	<u>5,843</u>
Total assets	<u><u>12,661</u></u>	<u><u>13,829</u></u>
Equity and liabilities		
Equity		
Share capital	9,447	9,447
Share premium	2,232	2,232
Revaluation reserve	1,035	1,039
Accumulated losses	(7,210)	(6,917)
Total Equity	<u>5,504</u>	<u>5,801</u>
Current Liabilities		
Trade payables	3,121	3,952
Other payables and accruals	495	552
Term loans	150	150
	<u>3,766</u>	<u>4,654</u>
Non Current Liability		
Term loans	3,046	3,028
Deferred taxation	345	346
Total Liabilities	<u>7,157</u>	<u>8,028</u>
Total equity and liabilities	<u><u>12,661</u></u>	<u><u>13,829</u></u>
No. of ordinary shares ('000)	94,474	94,474
Net assets per ordinary share (sen)	5.83	6.14

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 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 2014 (UNAUDITED)**

	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000	Total RM'000
Three (3) months ended 31 March 2014					
As at 1 January 2014	9,447	2,232	1,039	(6,917)	5,801
Loss for the financial period	-	-	-	(297)	(297)
Other comprehensive income	-	-	-	-	-
Total comprehensive expenses for the period	-	-	-	(297)	(297)
Realisation of revaluation reserve	-	-	(4)	4	-
As at 31 March 2014	9,447	2,232	1,035	(7,210)	5,504
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	9,447	2,232	-	(5,991)	5,688

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 2013 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 2014 (UNAUDITED)**

	Curent Year To Date 31.3.2014 RM'000	Preceding Year To Date 31.3.2013 RM'000
Cash Flows (For)/From Operating Activities		
Loss before taxation	(298)	(708)
Adjustments for:-		
Non-cash items	323	314
Interest expense	36	21
Non-operating items	(2)	(12)
Operating profit/(loss) before working capital changes	<u>59</u>	<u>(385)</u>
Decrease in inventories	-	(18)
Decrease/(Increase) in trade and other receivables	444	(55)
Decrease in trade and other payables	(888)	(390)
Net cash for operations	<u>(385)</u>	<u>(848)</u>
Interest paid	(36)	(21)
Tax refunded	-	-
Net cash for operating activities	<u>(421)</u>	<u>(869)</u>
Cash Flows From/(For) Investing Activities		
Purchase of property and equipment	-	(1,157)
Interest received	2	12
Net cash from/(for) investing activities	<u>2</u>	<u>(1,145)</u>
Cash Flow From Financing Activities		
Drawdown of term loans	-	1,157
Net withdrawal of term loans	21	81
Net cash from financing activities	<u>21</u>	<u>1,238</u>
Net decrease in cash and cash equivalents	(398)	(776)
Cash and cash equivalents at beginning of the financial period	1,609	2,919
Cash and cash equivalents at end of the financial period	<u><u>1,211</u></u>	<u><u>2,143</u></u>
Represented By:		
Cash and bank balances	1,142	863
Fixed deposits with a licensed bank	269	1,480
	<u>1,411</u>	<u>2,343</u>
Less : Fixed deposit pledged as security	(200)	(200)
	<u><u>1,211</u></u>	<u><u>2,143</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 2013 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2014

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 2013.

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 2013 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2014. 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 2013 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 2014:-

MFRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21 Levies

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 (2009) Financial Instruments	} To be announced by MASB
MFRS 9 (2010) Financial Instruments	
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)	
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	
Amendments to MFRS 119: Defined Benefits 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 above accounting standards and interpretations (including the consequential amendments) are not relevant to the Company's operations except as follows:-

MFRS 9 (2009), MFRS 9 (2010) & Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures

MFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010)). Generally, 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 Group 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 2013 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 31 March 2014 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	2,098	755	-	2,853
Inter-segment sales	-	1,262	(1,262)	-
	<u>2,098</u>	<u>2,017</u>	<u>(1,262)</u>	<u>2,853</u>
Results				
Loss before investment income and taxation				(300)
Investment income				<u>2</u>
Loss before taxation				(298)
Taxation				<u>1</u>
Loss for the period				<u>(297)</u>

9. Valuation of Property and Equipment

The Group did not revalue any of its 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 quarter 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

	Q1 2014 RM'000	Q1 2013 RM'000
Revenue	2,853	2,626
Loss before taxation	(298)	(708)

The Group revenue for the current quarter review increased by RM0.227 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.

The Group loss before taxation decreased by RM0.410 million mainly due to the following:

- higher revenue achieved during the current quarter; and
- the overall operating expenses for the current quarter under review has decreased.

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

	Q1 2014 RM'000	Q1 2013 RM'000
Revenue:-		
- Mobile Application	2,098	1,615
- Wireless and multimedia related services	755	1,011
(Loss)/Profit before taxation		
- Mobile Application	(338)	(772)
- Wireless and multimedia related services	40	64

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.

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

	Q1 2014 RM'000	Q4 2013 RM'000
Revenue	2,853	3,979
Loss before taxation	(298)	(89)

The Group revenue for the current quarter under review decreased by RM1.126 million as compared to the previous quarter was mainly due to decreased revenues from wireless and multimedia related services.

2. Material Changes in the Quarterly Results compared to the results of the Preceding Quarter (Cont'd)

Loss before taxation for the current quarter increased by RM0.209 million to RM0.298 million as compared to loss before taxation of RM0.089 million generated in the previous quarter. The unfavourable result was mainly due to lower revenue generated during the quarter under review.

3. Prospects

While the current year prospect is expected to remain challenging due to increased competition, the business sentiment for mobile and digital applications continues to be good with growing demand from organisations undertaking programs of digital transformation in its processes. In this regard, the Group will continue to focus on penetrating into new market for its existing mobile and digital application services. Meanwhile, on-going exercise to streamline its operations by discontinuing services that are not performing and maintaining prudence in expenditure have been put in place in order to achieve operational efficiency and mitigate the losses suffered in the Group's operation.

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	
	Q1 2014 RM'000	Q1 2013 RM'000	Q1 2014 RM'000	Q1 2013 RM'000
Current tax	-	-	-	-
Deferred tax	1	-	1	-
Tax expense	1	-	1	-

The deferred tax liabilities are attributable to revaluation of office buildings.

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 March 2014 are as follow:-

<u>Term loans – secured</u>	<u>RM'000</u>
Current	150
Non-current	3,046
	<u>3,196</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 31.03.2014	Preceding Year Corresponding Quarter 31.03.2013	Current Year To Date 31.03.2014	Preceding Year To Date 31.03.2013
Basic loss per share				
Loss after taxation (RM'000)	(297)	(708)	(297)	(708)
Weighted average number of ordinary shares in issue ('000)	94,474	94,474	94,474	94,474
Basic loss per share (sen)	(0.31)	(0.75)	(0.31)	(0.75)

11. Loss Before Taxation

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

	Current Year Quarter 31.03.2014 RM'000	Current Year To Date 31.03.2014 RM'000
Interest income	(2)	(2)
Interest expense	36	36
Depreciation and amortisation	325	325
Fixed assets written off	-	-
Provision for and write off of receivables	-	-
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	-	-

12. Realised and unrealised losses disclosure

	As at 31 Mar 2014 RM'000	As at 31 Mar 2013 RM'000
The accumulated loss of MNC Wireless Berhad and its subsidiaries :-		
- Realised	(7,210)	(5,991)
- Unrealised	-	-
Total Group accumulated losses as per consolidated accounts	<u>(7,210)</u>	<u>(5,991)</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 May 2014.