

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 2016 (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2016 <u>RM'000</u>	Preceding Year Quarter 31.03.2015 <u>RM'000</u>	Current Year To Date 31.03.2016 <u>RM'000</u>	Preceding Year To Date 31.03.2015 <u>RM'000</u>
Revenue	5,495	5,754	5,495	5,754
Cost of sales	(4,406)	(4,436)	(4,406)	(4,436)
Gross profit	1,089	1,318	1,089	1,318
Operating expenses	(999)	(869)	(999)	(869)
Other operating income	170	68	170	68
Finance expenses	(32)	(32)	(32)	(32)
Profit/(Loss) before taxation	228	485	228	485
Taxation	(117)	1	(117)	1
Profit/(Loss) for the period	110	486	110	486
Other comprehensive income/(expense)	-	49	-	49
Total comprehensive expense for the period	110	535	110	535
Profit/(Loss) after taxation attributable to owners of the Company	110	486	110	486
Total comprehensive expense attributable to owners of the Company	110	535	110	535
Profit/(Loss) per share				
(i) Basic (Sen)	0.12	0.51	0.12	0.51
(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 2015 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 MARCH 2016 (UNAUDITED)

	<u>As At</u> <u>31.03.2016</u> <u>Unaudited</u> <u>RM'000</u>	<u>As At</u> <u>31.12.2015</u> <u>Audited</u> <u>RM'000</u>
Assets		
Non-Current Assets		
Other investment	118	118
Motor vehicle	390	402
Property and equipment	<u>5,609</u>	<u>5,631</u>
	6,117	6,151
Current Assets		
Trade receivables	4,389	4,651
Other receivables, deposits and prepayments	400	485
Fixed deposits with a licensed bank	287	286
Cash and bank balances	<u>3,246</u>	<u>2,297</u>
	<u>8,322</u>	<u>7,719</u>
Total Assets	<u><u>14,439</u></u>	<u><u>13,870</u></u>
Equity and Liabilities		
Equity		
Share capital	9,447	9,447
Share premium	2,231	2,231
Revaluation reserve	1,014	1,017
Fair value reserve	(31)	(31)
Accumulated losses	<u>(7,530)</u>	<u>(7,640)</u>
Total Equity	<u>5,132</u>	<u>5,024</u>
Current Liabilities		
Trade payables	4,285	3,787
Other payables and accruals	1,793	1,789
Term loans	<u>157</u>	<u>157</u>
	6,235	5,733
Non-Current Liabilities		
Term loans	2,734	2,774
Deferred taxation	338	339
Total Liabilities	<u>9,307</u>	<u>8,846</u>
Total Equity and Liabilities	<u><u>14,439</u></u>	<u><u>13,870</u></u>
No. of ordinary shares ('000)	94,474	94,474
Net assets per ordinary share (sen)	5.43	5.32

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 31 MARCH 2016 (UNAUDITED)

	← Attributable to Owners of the Company →					Total
	Share Capital	Non-distributable			Accumulated Losses	
	RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Fair Value Reserve RM'000	RM'000	
Three (3) months ended 31 March 2016						
As at 1 January 2016	9,447	2,231	1,017	(31)	(7,640)	5,024
Profit for the financial period	-	-	-	-	110	110
Other comprehensive income - Fair value changes of available-for-sale financial assets	-	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	-	110	110
Realisation of revaluation reserve	-	-	(3)	-	-	(3)
As at 31 March 2016	<u>9,447</u>	<u>2,231</u>	<u>1,014</u>	<u>(31)</u>	<u>(7,530)</u>	<u>5,131</u>
Three (3) months ended 31 March 2015						
As at 1 January 2015	9,447	2,231	1,028	(20)	(7,250)	5,436
Profit for the financial period	-	-	-	-	486	486
Other comprehensive income	-	-	-	49	-	49
Total comprehensive expenses for the period	-	-	-	49	486	535
Realisation of revaluation reserve	-	-	(3)	-	3	-
As at 31 March 2015	<u>9,447</u>	<u>2,231</u>	<u>1,025</u>	<u>29</u>	<u>(6,761)</u>	<u>5,971</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 31 MARCH 2016 (UNAUDITED)

	Preceding Year To Date 31.03.2016 RM'000	Preceding Year To Date 31.03.2015 RM'000
Cash Flows (For)/From Operating Activities		
Profit/(Loss) before taxation	228	485
Adjustments for:-		
Non-cash items	(82)	46
Interest expense	32	32
Interest income	(2)	(5)
Non-operating items		(58)
Operating profit before working capital changes	<u>175</u>	<u>500</u>
Decrease/(Increase) in trade and other receivables	353	(3,313)
(Decrease)/Increase in trade and other payables	742	3,011
Net cash (for)/from operations	<u>1,270</u>	<u>198</u>
Interest paid	(32)	(32)
Tax paid	(223)	1
Net cash (for)/from operating activities	<u>1,016</u>	<u>167</u>
Cash Flows (For)/From Investing Activities		
Purchase of property and equipment	(29)	(39)
Proceed from disposal of quoted shares		131
Interest received	2	5
Net cash (for)/from investing activities	<u>(27)</u>	<u>97</u>
Cash Flows (For)/From Financing Activities		
Net repayment of term loans	(40)	(39)
Net cash for financing activities	<u>(40)</u>	<u>(39)</u>
(Decrease)/Increase in cash and cash equivalents	949	225
Cash and cash equivalents at beginning of the financial period	2,383	4,864
Cash and cash equivalents at end of the financial period	<u><u>3,333</u></u>	<u><u>5,089</u></u>
Represented By:		
Cash and bank balances	3,246	5,018
Short term deposits with licensed banks	287	271
	<u>3,533</u>	<u>5,289</u>
Less : Short term deposits pledged as security	(200)	(200)
	<u><u>3,333</u></u>	<u><u>5,089</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 2015 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE QUARTERLY REPORT –31 MARCH 2016

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 2015.

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 2015 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2016. 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 2015 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 2016:-

MFRSs (Including The Consequential Amendments)

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 15 - Revenue from Contracts with Customers	1 January 2018
MFRS 16 - Leases	1 January 2019
Amendments to MFRS 10 Consolidated Financial Statement and MFRS 128 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 107 Statement of Cash Flows – Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

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:-

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 2015 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 2016 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	4,344	1,151	-	5,495
	<u>4,344</u>	<u>1,150</u>	<u>-</u>	<u>5,495</u>
Results				
Profit before investment income and taxation				226
Investment income				2
Profit before taxation				<u>228</u>
Taxation				(117)
Profit for the period				<u>110</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

	Q1 2016 RM'000	Q1 2015 RM'000
Revenue	5,495	5,754
Profit before taxation	228	485

The Group's revenue for the current quarter review decreased by RM259,000 compared to the corresponding quarter of the preceding year. The decrease in revenue was mainly due to lower contribution from volume of wireless/mobile services provided by the Group as a result of reduction in consumer spending, compared to the corresponding quarter of the preceding year.

The Group's profit before tax decreased by RM257,000 compared to the corresponding quarter of the preceding year. This decrease is mainly due to higher expenditure for customer acquisition costs and administrative cost, recorded by the Group for the current quarter.

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

	Q1 2016 RM'000	Q1 2015 RM'000
Revenue:-		
- Wireless/Mobile Services	4,344	4,883
- Digital and multimedia related services	1,151	871
Profit/(Loss)before taxation		
- Wireless/Mobile Services	88	473
- Digital and multimedia related services	140	12

Wireless/Mobile Services - The Group recorded a lower profit compared to corresponding quarter of the preceding year, on the back of higher infrastructural cost from system enhancement initiatives, coupled with higher operating expenditure of customer acquisition costs and administrative costs.

Digital and multimedia related services - The Group recorded a higher profit compared to the corresponding quarter of the preceding year. This was due to revenue from higher profit margin projects.

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

	Q1 2016 RM'000	Q4 2015 RM'000
Revenue	5,495	4,773
Profit before taxation	110	672

The Group registered lower profit before tax as compared to the preceding quarter ended 31 December 2015, primarily due to higher operating expenditure from higher customer acquisition costs and administrative costs, coupled higher infrastructural cost from system enhancement initiatives.

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 last year's Memorandum of Understanding signing agreement with Petrowangsa Sdn Bhd, to offer the Group's product and services to customers in the Oil & Gas industry. There has been no further development on this.

The Group will also continue to develop its bespoke technology platform solution with ongoing discussion with its business partners (both locally & overseas) to further penetrate into their respective markets.

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 2016 RM'000	Q12015 RM'000	Q1 2016 RM'000	Q1 2015 RM'000
Current year tax	(76)	-	(76)	-
Prior year tax	(42)	1	(42)	1
Deferred tax	1	-	1	-
Tax expense	<u>(117)</u>	<u>1</u>	<u>(117)</u>	<u>1</u>

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 Proposed 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. Bursa had, vide its letter dated 11 December 2015, approved the Company's application for an extension of time of six (6) months from 24 December 2015 to 23 June 2016 to complete the implementation of the Proposed Private Placement.

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 18 November 2015, PIVB announced that Bursa had, vide its letter dated 17 November 2015, approved the following (subject to compliance of certain conditions as stipulated by Bursa):

- (i) Admission to the Official List of Bursa 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 above proposals was tabled and approved by the shareholders of the Company at the Extraordinary General Meeting held on 21 December 2015.

The above proposal has not been completed, given the current weak market condition is not conducive to attract investors/shareholders. This has affected the interest of investors/shareholders to consider investing in the equity market. Bursa had, vide its letter dated 14 April 2016, approved the Company's application for an extension of time of six (6) months from 17 May 2016 to 16 November 2016 to complete the implementation of the said proposal.

7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2016 are as follow:-

<u>Term loans – secured</u>	<u>RM'000</u>
Current	157
Non-current	<u>2,734</u>
	<u><u>2,891</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. Profit/ (Loss) per Share

	Current Year Quarter 31.03.2016	Preceding Year Corresponding Quarter 31.03.2015	Current Year To Date 31.03.2016	Preceding Year To Date 31.03.2015
Basic Profit per share				
Profit after taxation (RM'000)	110	486	110	486
Weighted average number of ordinary shares in issue ('000)	94,474	94,474	94,474	94,474
Basic profit per share (sen)	0.12	0.51	0.12	0.51

11. Profit/ (Loss) Before Taxation

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

	Current Year Quarter 31.03.2016 RM'000	Current Year To Date 31.03.2016 RM'000
Interest income	(2)	(2)
Interest expense	32	32
Depreciation of equipment	62	62
Rental Income	(24)	(24)
Allowance for impairment loss on receivables	(3)	(3)
Realised Gain on foreign exchange	(2)	(2)

12. Realised and Unrealised losses disclosure

	As at 31Mar 2016 RM'000	As at 31Mar 2015 RM'000
The accumulated losses of MNC Wireless Berhad and its subsidiaries :-		
- Realised	(7,530)	(6,761)
- Unrealised	-	-
Total Group accumulated losses as per consolidated accounts	<u>(7,530)</u>	<u>(6,761)</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 25 May 2016.