

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 2016 (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2016 RM'000	Preceding Year Quarter 30.06.2015 RM'000	Current Year To Date 30.06.2016 RM'000	Preceding Year To Date 30.06.2015 RM'000
Revenue	3,553	4,837	9,048	10,591
Cost of sales	(2,576)	(3,483)	(6,983)	(7,919)
Gross profit	977	1,354	2,065	2,672
Operating expenses	(986)	(1,144)	(1,985)	(2,013)
Other operating income	132	37	302	105
Finance expenses	(31)	(22)	(63)	(54)
Profit/(Loss) before taxation	92	225	319	710
Taxation	(78)	(2)	(196)	(1)
Profit/(Loss) for the period	14	223	124	709
Other comprehensive income/(expense)	-	(44)	-	5
Total comprehensive income/(expense) for the period	14	179	124	714
Profit/(Loss) after taxation attributable to owners of the Company	14	223	124	709
Total comprehensive income/(expense) attributable to owners of the Company	14	179	124	714
Profit/(Loss) per share				
(i) Basic (Sen)	0.01	0.24	0.13	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 2015 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 30 JUNE 2016 (UNAUDITED)

	As At 30.06.2016 Unaudited RM'000	As At 31.12.2015 Audited RM'000
Assets		
Non-Current Assets		
Other investment	41	118
Motor vehicle	358	402
Property and equipment	<u>6,842</u>	<u>5,631</u>
	7,241	6,151
Current Assets		
Trade receivables	3,223	4,651
Other receivables, deposits and prepayments	433	485
Fixed deposits with a licensed bank	287	286
Cash and bank balances	<u>3,040</u>	<u>2,297</u>
	6,983	7,719
Total Assets	<u><u>14,224</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	1,959	1,017
Fair value reserve	-	(31)
Accumulated losses	<u>(7,516)</u>	<u>(7,640)</u>
Total Equity	<u><u>6,121</u></u>	<u><u>5,024</u></u>
Current Liabilities		
Trade payables	2,814	3,787
Other payables and accruals	1,785	1,789
Term loans	157	157
Director Account	-	-
	<u>4,756</u>	<u>5,733</u>
Non-Current Liabilities		
Term loans	2,694	2,774
Deferred taxation	653	339
Total Liabilities	<u><u>8,103</u></u>	<u><u>8,846</u></u>
Total Equity and Liabilities	<u><u>14,224</u></u>	<u><u>13,870</u></u>
No. of ordinary shares ('000)	94,474	94,474
Net assets per ordinary share (sen)	6.48	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 30 JUNE 2016 (UNAUDITED)**

	← Attributable to Owners of the Company →					Total	
	Share Capital	← Non-distributable →			Accumulated Losses		RM'000
		Share Premium	Revaluation Reserve	Fair Value Reserve			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Six (6) months ended 30 June 2016							
As at 1 January 2016	9,447	2,231	1,017	(31)	(7,640)	5,024	
Profit for the financial period	-	-	-	-	124	124	
Other comprehensive income							
- Revaluation of properties, net of tax			949			949	
- Fair value changes of available-for-sale financial assets	-	-		31	-	31	
Total comprehensive expense for the year	-	-	949	31	124	1,104	
Realisation of revaluation reserve	-	-	(7)		-	(7)	
As at 30 June 2016	<u>9,447</u>	<u>2,231</u>	<u>1,959</u>	<u>(0)</u>	<u>(7,516)</u>	<u>6,121</u>	
Six (6) months ended 30 June 2015							
As at 1 January 2015	9,447	2,231	1,028	(20)	(7,250)	5,436	
Profit for the financial period	-	-	-	-	709	709	
Other comprehensive income	-	-	-	5	-	5	
Total comprehensive expenses for the period	-	-	-	5	709	714	
Realisation of revaluation reserve	-	-	(7)	-	7	-	
As at 30 June 2015	<u>9,447</u>	<u>2,231</u>	<u>1,021</u>	<u>(15)</u>	<u>(6,534)</u>	<u>6,150</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.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR
THE FINANCIAL PERIOD ENDED 30 JUNE 2016 (UNAUDITED)**

	Curent Year To Date 30.06.2016 RM'000	Preceding Year To Date 30.06.2015 RM'000
Cash Flows (For)/From Operating Activities		
Profit/(Loss) before taxation	319	710
Adjustments for:-		
Non-cash items	8	91
Interest expense	63	54
Interest income	(5)	(8)
Non-operating items	(85)	(59)
Operating profit before working capital changes	301	788
Decrease/(Increase) in trade and other receivables	1,585	(528)
(Decrease)/Increase in trade and other payables	(790)	(1,543)
Net cash (for)/from operations	1,095	(1,283)
Interest paid	(63)	(54)
Tax paid	(344)	(1)
Net cash (for)/from operating activities	688	(1,338)
Cash Flows (For)/From Investing Activities		
Purchase of property and equipment	(29)	(268)
Proceed from disposal of quoted shares	159	131
Interest received	5	8
Net cash (for)/from investing activities	135	(129)
Cash Flows (For)/From Financing Activities		
Net repayment of term loans	(80)	(76)
Net cash for financing activities	(80)	(76)
(Decrease)/Increase in cash and cash equivalents	744	(1,543)
Cash and cash equivalents at beginning of the financial period	2,383	4,864
Cash and cash equivalents at end of the financial period	3,127	3,321
<u>Represented By:</u>		
Cash and bank balances	3,040	3,250
Short term deposits with licensed banks	287	271
	3,327	3,521
Less : Short term deposits pledged as security	(200)	(200)
	3,127	3,321

NOTES TO THE QUARTERLY REPORT –30 JUNE 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 applied in advance the following new MFRSs and amendments/improvements to MFRSs that have been issued by MASB but not yet effective for the current financial year:

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:-

MFRS 9 (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 as issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held.

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 30 Jun 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	6,428	2,620	-	9,048
	<hr/>	<hr/>	<hr/>	<hr/>
	6,428	2,620	-	9,048
Results				
Profit before investment income and taxation				314
Investment income				5
Profit before taxation				<hr/> 319
Taxation				(196)
Profit for the period				<hr/> <hr/> 124

9. Valuation of Property and Equipment

Properties of the Group have been revalued in June 2016. Based on the valuation report prepared by Solid Real Estate Consultants Sdn. Bhd., a registered independent valuer, the fair value of the Group's properties is RM6,500,000. The carrying amount of the properties as at 31 March 2016 was RM5,245,500. The revaluation surplus was incorporated in the financial statements for the financial year ended 30 June 2016.

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

	Q2 2016	Q2 2015
	RM'000	RM'000
Revenue	3,553	4,387
Profit before taxation	92	225

The Group's revenue for the current quarter review decreased compared to the corresponding quarter of the preceding year. The decreased in revenue was due to lower revenue from wireless/mobile services as consumer spending decreased from slowdown in local economic environment, compared to the corresponding quarter of the preceding year.

Correspondingly, the Group's profit before tax decreased compared to the corresponding quarter of the preceding year.

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

	Q2 2016	Q2 2015
	RM'000	RM'000
Revenue:-		
- Wireless/Mobile Services	2,083	3,931
- Digital and multimedia related services	1,470	906
Profit/(Loss)before taxation		
- Wireless/Mobile Services	160	200
- Digital and multimedia related services	159	25

Wireless/Mobile Services - The Group recorded a lower profit compared to corresponding quarter of the preceding year, due to lower revenue from wireless/mobile services as consumer spending decreased from slowdown in local economic environment, compared to the corresponding quarter of the preceding year.

Digital and multimedia related services - The Group recorded a higher profit compared to the corresponding quarter of the preceding year, on the back of higher revenue.

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

	Q2 2016	Q1 2016
	RM'000	RM'000
Revenue	3,553	5,495
Profit before taxation	92	228

The Group registered a lower profit before tax as compared to the preceding quarter ended 31 Mar 2016, primarily due to lower revenue from wireless/mobile services as consumer spending decreased from slowdown in local economic environment, compared to the preceding quarter.

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	
	Q2 2016 RM'000	Q2 2015 RM'000	Q2 2016 RM'000	Q2 2015 RM'000
Current year tax	(175)	(2)	(252)	(1)
Prior year tax	(216)	-	(258)	-
Deferred tax	313	-	314	-
Tax expense	(78)	(2)	(196)	1

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 23 June 2016, Public Investment Bank Berhad ("PIBV") had, on behalf of the Company, announced that the approval for extension of time from Bursa Malaysia Securities Bhd ("Bursa") on the proposed Private Placement had lapsed on the even date as the company could not identify investors suitable to undertake the private placement of shares. There were no new Shares issued pursuant to the Proposed Private Placement.

On 25 August 2015, PIBV 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 30 June 2016 are as follow:-

<u>Term loans – secured</u>	<u>RM'000</u>
Current	157
Non-current	2,694
	<u>2,851</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 30.06.2016	Preceding Year Corresponding Quarter 30.06.2015	Current Year To Date 30.06.2016	Preceding Year To Date 30.06.2015
Basic earnings Profit/(Loss) per share				
Profit/(Loss) after taxation (RM'000)	14	223	124	709
Weighted average number of ordinary shares in issue ('000)	94,474	94,474	94,474	94,474
Basic earnings profit/(loss) per share (sen)	0.01	0.24	0.13	0.75

11. Profit/ (Loss) Before Taxation

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

	Current Year Quarter 30.06.2016 RM'000	Current Year To Date 30.06.2016 RM'000
Interest income	(3)	(5)
Interest expense	31	63
Depreciation of equipment	64	126
Reversal of Fair Value Reserve	31	31
Allowance for impairment loss on receivables	(7)	(11)
Realised Gain on Foreign exchange	-	(2)
Gain on disposal of quoted investment	(82)	(82)

12. Realised and Unrealised losses disclosure

	As at 30 June 2016 RM'000	As at 30 Jun 2015 RM'000
The accumulated losses of MNC Wireless Berhad and its subsidiaries :-		
- Realised	(7,516)	(6,534)
- Unrealised	-	-
Total Group accumulated losses as per consolidated accounts	<u>(7,516)</u>	<u>(6,534)</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 August 2016.