

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 2017 (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2017 <u>RM'000</u>	Preceding Year Quarter 31.03.2016 <u>RM'000</u>	Current Year To Date 31.03.2017 <u>RM'000</u>	Preceding Year To Date 31.03.2016 <u>RM'000</u>
Revenue	3,480	5,495	3,480	5,495
Cost of sales	(2,470)	(4,406)	(2,470)	(4,406)
Gross profit	1,010	1,089	1,010	1,089
Operating expenses	(956)	(999)	(956)	(999)
Other operating income	246	170	246	170
Finance expenses	(10)	(32)	(10)	(32)
Profit before taxation	290	228	290	228
Taxation	(98)	(117)	(98)	(117)
Profit for the period	192	111	192	111
Other comprehensive income	-			
Total comprehensive income for the period	192	111	192	111
Profit after taxation attributable to owners of the Company	192	111	192	111
Total comprehensive income attributable to owners of the Company	192	111	192	111
Earnings Per Share				
(i) Basic (Sen)	0.14	0.12	0.14	0.12
(ii) Diluted (Sen)	0.06	N/A	0.06	N/A

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017 (UNAUDITED)

	As At 31.03.2017 Unaudited RM'000	As At 31.12.2016 Audited RM'000
Assets		
Non-Current Assets		
Other investment	41	41
Property and equipment	8,072	7,063
	8,113	7,104
Current Assets		
Trade receivables	3,926	4,002
Other receivables, deposits and prepayments	8,715	6,043
Fixed deposits with a licensed bank	416	12,796
Cash and bank balances	20,517	10,941
	33,574	33,782
Total Assets	41,687	40,886
 Equity and Liabilities		
Equity		
Share capital	37,789	37,789
Share premium	-	-
Revaluation reserve	1,951	1,954
Fair value reserve	-	-
Warrant reserve	4,724	4,724
Accumulated losses	(10,185)	(10,380)
Total Equity	34,279	34,087
 Current Liabilities		
Trade payables	2,922	2,606
Other payables and accruals	570	772
Hire Purchase	50	
Term loans	175	165
	3,717	3,543
 Non-Current Liabilities		
Term loans	2,551	2,604
Hire Purchase	489	
Deferred taxation	651	652
Total Liabilities	7,408	6,799
 Total Equity and Liabilities	41,687	40,886
 No. of ordinary shares ('000)	377,894	377,894
 Net assets per ordinary share (sen)	9.07	9.02

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 31 MARCH 2017 (UNAUDITED)**

	Curent Year To Date 31.03.2017 RM'000	Preceding Year To Date 31.03.2016 RM'000
Cash Flows (For)/From Operating Activities		
Profit before taxation	291	228
Adjustments for:-		
Non-cash items	70	(82)
Interest expenses	10	32
Interest income	(138)	(2)
Non-operating items		
Operating profit before working capital changes	233	176
Increase in trade and other receivables	(2,638)	352
Decrease in trade and other payables	153	744
Net cash for operations	(2,252)	1,272
Tax paid	(68)	(223)
Tax refunded	5	-
Net cash for operating activities	(2,315)	1,049
Cash Flows From/(For) Investing Activities		
Interest received	138	2
Purchase of property and equipment	(564)	(29)
Proceeds from disposal of quoted shares	-	-
Investment in subsidiaries	(1,101)	-
Net cash from/(for) investing activities	(1,527)	(27)
Cash Flows (For)/From Financing Activities		
Interest paid	(10)	(32)
Proceeds from issuance of share capital	1,101	-
Repayment of term loans and hire purchase	(53)	(40)
Drawdown of term loans	-	-
Placement of fixed deposit pledged as securities	(100)	-
Net cash from/(for) financing activities	938	(72)
Increase/(Decrease) in cash and cash equivalents	(2,904)	950
Cash and cash equivalents at beginning of the financial period	23,737	2,383
Cash and cash equivalents at end of the financial period	20,833	3,333
Represented By:		
Cash and bank balances	20,517	3,246
Short term deposits with licensed banks	416	287
	20,933	3,533
Less : Short term deposits pledged as securities	(100)	(200)
	20,833	3,333

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017 (UNAUDITED)**

	Attributable to Owners of the Company					Total equity RM'000
	Share Capital RM'000	Share Premium RM'000	Non-distributable Fair Value Reserve RM'000	Revaluation Reserve RM'000	Warrant Reserve RM'000	
Three (3) months ended 31 March 2017						
As at 1 January 2017	37,789	-	-	1,954	4,724	(10,380)
Profit after taxation	-	-	-	-	-	192
Other comprehensive income:						
- Revaluation surplus	-	-	-	-	-	-
- Transfer to profit or loss upon disposal of available-for-sale financial assets	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	192
Realisation of revaluation reserve	-	-	-	(3)	-	3
As at 31 March 2017	37,789	-	-	1,951	4,724	(10,185)
Three (3) months ended 31 March 2016						
As at 1 January 2016	9,447	2,231	(31)	1,017	-	(7,640)
Profit after taxation	-	-	-	-	-	111
Other comprehensive income						
Total comprehensive income for the period	-	-	-	-	-	111
Realisation of revaluation reserve	-	-	-	(3)	-	3
As at 31 March 2016	9,447	2,231	(31)	1,014	-	(7,526)

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 2016 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE QUARTERLY REPORT –31 MARCH 2017

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 2016.

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 2016 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2017. 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 2016 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 2017:-

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 15 - Clarifications to MFRS 15	1 January 2018
MFRS 16 - Leases	1 January 2019
Annual improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
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 4 applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018

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 2016 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. Valuation of Property and Equipment

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

9. 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.

10. Changes in the Composition of the Group

The Group on 10 March 2017 incorporated a new wholly-owned subsidiary, Maise Beauty Sdn. Bhd. (Registration No. 1221667-D), under the Companies Act 2016, with principal business activities of retail, e-commerce, import and export of beauty and skincare products.

11. Contingent Assets and Contingent Liabilities

There were no material contingent assets and contingent liabilities as at the date of this report.

12. Commitments

There were no commitments as at the date of this report.

13. 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 2017 RM'000	Q4 2016 RM'000
Revenue	3,480	4,448
Profit before taxation	290	226

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

Nevertheless, the Group registered higher profit before tax compared to the preceding quarter, was primarily due to improving profit margins across business segments, coupled with lower operating & finance expense and higher other income.

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

	Q1 2017 RM'000	Q4 2016 RM'000
Revenue:-		
- Wireless/Mobile Services	1,746	2,175
- Digital and multimedia related services	1,734	2,273
Profit before taxation		
- Wireless/Mobile Services	182	111
- Digital and multimedia related services	108	115

Both business segments registered improving profit before tax, primarily due improving profit margins with better management of infrastructural costs and more effective advertising costs.

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

	Q1 2017 RM'000	Q4 2016 RM'000
Revenue	3,480	4,448
Profit before taxation	290	226

The Group registered higher profit before tax compared to the preceding quarter, due to lower operating & finance expense, coupled with improving profit margins across business segments.

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 respective markets.

The Group intends to utilise the rights issue proceeds to expand the wireless and mobile application service, multimedia related service and digital related service business segments. The proceeds will be utilised to acquire licenses, to support the TAC platform, purchase the advertising panels, which comprise of LCD HD Screen, set up marketing and IT-support office at Johor and Penang respectively and rent a shop lot for the branch office expansion.

The Group will further explore into development of an inclusive e-commerce platform with integrated payment gateway solutions and end-to-end logistics support, through strategic business collaboration such as the recent Memorandum of Understanding signing agreement with M3 Technologies (Asia) Bhd. There has been no further development on this.

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 2017 RM'000	Q1 2016 RM'000	Q1 2017 RM'000	Q1 2016 RM'000
Current year tax	(11)	(76)	(11)	(76)
Prior year tax	(86)	(42)	(86)	(42)
Deferred tax	(1)	1	(1)	1
Tax expense	(98)	(117)	(98)	(117)

6. Status of Corporate Proposals

Status of utilisation of proceeds raised from the multiple proposal pursuant to announcement that Rights Issue with Warrants has been completed on 11 November 2016, following the admission of the Warrants to the Official List and the listing of and quotation for 283,420,500 Rights Shares together with 188,946,927 Warrants on the ACE Market of Bursa Securities on 11 November 2016.

No	Description	Amount	Timeframe for utilisation of proceeds from date of receipt	YTD Utilisation	YTD Balance
1	Wireless and mobile application services expenses	2,000,000	Within twenty-four (24) months	-	2,000,000
2	Multimedia related service expenses - Infrastructure development expenditure	3,000,000	Within twenty-four (24) months	(2,947,317)	52,683
3	Digital related service expenses - Purchase of advertising display panels	8,000,000	Within twenty-four (24) months	(225,311)	7,774,689
4	Branch Expansion	4,000,000	Within twelve (12) months	-	4,000,000
5	Repayment of bank borrowings	2,750,000	Within twelve (12) months	(2,500,000)	250,000
6	Working capital	8,021,011	Within twenty-four (24) months	(7,507,594)	513,417
7	Expenses for the Corporate Exercises	570,989	Within six (6) months	(570,989)	-
		28,342,000		(13,751,211)	14,590,789

Note:

Unutilized proceeds are placed in interest bearing fixed deposit with licensed financial institutions(s) and short-term money market instruments.

Corporate exercise estimated expense surplus is adjusted accordingly to working capital.

Deposits placed into bank borrowing term loan accounts for interest-saving purpose, pending expiry of early settlement period penalty cost.

7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2017 are as follow:-

	RM'000
Short term borrowings—secured	-----
Term loans	175
Hire purchase payables	50

	225
	=====
Long-term borrowings —secured	
Term loans	2,551
Hire purchase payables	489

	3,040
	=====

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. Earnings/Loss Per Share

	Current Year Quarter 31.03.2017	Preceding Year Corresponding Quarter 31.03.2016	Current Year To Date 31.03.2017	Preceding Year To Date 31.03.2016
Basic Earnings Per share				
Profit after taxation (RM'000)	192	111	192	111
Weighted average number of ordinary shares in issue ('000)	136,404	94,474	136,404	94,474
Basic earnings per share (sen)	0.14	0.12	0.14	0.12

11. Basic Diluted Earnings Per Share

	Current Year Quarter 31.03.2017	Preceding Year Corresponding Quarter 31.03.2016	Current Year To Date 31.03.2017	Preceding Year To Date 31.03.2016
Basic Diluted Per share				
Profit after taxation (RM'000)	192	111	192	111
Weighted average number of ordinary shares in issue ('000)	325,351	94,474	325,351	94,474
Basic diluted earnings per share (sen)	0.06	Not Applicable	0.06	Not Applicable

12. Profit Before Taxation

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

	Current Year Quarter 31.03.2017 RM'000	Current Year To Date 31.03.2017 RM'000
Interest income	(138)	(138)
Interest expense	10	10
Depreciation of equipment	104	104
Reversal of impairment loss on receivables	(75)	(75)
Realised gain on foreign exchange	(1)	(1)
Allowance for impairment loss on receivables	42	42

13. Realised And Unrealised Losses Disclosure

	As at 31 Mar 2017 RM'000	As at 31 Mar 2016 RM'000
The accumulated losses of M N C Wireless Berhad and its subsidiaries :-		
- Realised	(9,534)	(7,188)
- Unrealised	(651)	(338)
Total Group accumulated losses as per consolidated accounts	<u>(10,185)</u>	<u>(7,526)</u>