

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 2017 (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2017 RM'000	Preceding Year Quarter 30.06.2016 RM'000	Current Year To Date 30.06.2017 RM'000	Preceding Year To Date 30.06.2016 RM'000
Revenue	4,349	3,553	7,829	9,048
Cost of sales	(3,574)	(2,576)	(6,044)	(6,983)
Gross profit	775	977	1,785	2,065
Operating expenses	(1,187)	(986)	(2,143)	(1,985)
Other operating income	51	132	297	302
Finance expenses	(11)	(31)	(21)	(63)
Loss/Profit before taxation	(372)	92	(82)	319
Taxation	(79)	(78)	(177)	(196)
Loss/Profit for the period	(451)	14	(259)	123
Other comprehensive income	-	-	-	-
Total comprehensive loss/income for the period	(451)	14	(259)	123
Loss/Profit after taxation attributable to owners of the Company	(451)	14	(259)	123
Total comprehensive loss/income attributable to owners of the Company	(451)	14	(259)	123
Earnings Per Share				
(i) Basic (Sen)	(0.12)	0.01	(0.07)	0.13
(ii) Diluted (Sen)	(0.08)	N/A	(0.05)	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 2016 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 2017 (UNAUDITED)

	As At 30.06.2017 Unaudited RM'000	As At 31.12.2016 Audited RM'000
Assets		
Non-Current Assets		
Other investment	41	41
Property and equipment	8,702	7,063
	8,743	7,104
Current Assets		
Trade receivables	3,906	4,002
Other receivables, deposits and prepayments	10,394	6,043
Fixed deposits with a licensed bank	2,228	12,796
Cash and bank balances	20,832	10,941
	37,360	33,782
Total Assets	46,103	40,886
 Equity and Liabilities		
Equity		
Share capital	42,064	37,789
Share premium	-	-
Revaluation reserve	1,950	1,954
Warrant reserve	4,724	4,724
Accumulated losses	(10,636)	(10,380)
Total Equity	38,102	34,087
Current Liabilities		
Trade payables	2,882	2,606
Other payables and accruals	763	772
Hire Purchase	64	-
Term loans	175	165
	3,884	3,543
Non-Current Liabilities		
Term loans	2,508	2,604
Hire Purchase	959	-
Deferred taxation	650	652
Total Liabilities	8,001	6,799
Total Equity and Liabilities	46,103	40,886
No. of ordinary shares ('000)	385,858	377,894
Net assets per ordinary share (sen)	9.87	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 30 JUNE 2017 (UNAUDITED)**

	Curent Year To Date 30.06.2017 RM'000	Preceding Year To Date 30.06.2016 RM'000
Cash Flows (For)/From Operating Activities		
Loss before taxation	(82)	319
Adjustments for:-		
Non-cash items	204	8
Interest expenses	21	63
Interest income	(154)	(5)
Non-operating items	-	(85)
Operating loss before working capital changes	<u>(11)</u>	<u>301</u>
Decrease/(Increase) in trade and other receivables	(4,251)	1,585
(Decrease)/Increase in trade and other payables	263	(790)
Net cash for operations	<u>(3,999)</u>	<u>1,095</u>
Tax paid	(168)	(344)
Tax refunded	24	-
Net cash for operating activities	<u>(4,143)</u>	<u>751</u>
Cash Flows From/(For) Investing Activities		
Interest received	154	5
Purchase of property and equipment	(829)	(29)
Proceeds from disposal of quoted shares	-	159
Investment in subsidiaries	(1,101)	-
Net cash from/(for) investing activities	<u>(1,776)</u>	<u>135</u>
Cash Flows (For)/From Financing Activities		
Interest paid	(21)	(63)
Proceeds from issuance of share capital	1,101	-
Proceeds from issue of share capital pursuant of ESOS	4,275	-
Repayment of term loans and hire purchase	(113)	(80)
Placement of fixed deposit pledged as securities	(100)	-
Net cash from/(for) financing activities	<u>5,142</u>	<u>(143)</u>
Increase/(Decrease) in cash and cash equivalents	(777)	744
Cash and cash equivalents at beginning of the financial period	23,737	2,383
Cash and cash equivalents at end of the financial period	<u><u>22,960</u></u>	<u><u>3,127</u></u>
Represented By:		
Cash and bank balances	20,832	3,040
Short term deposits with licensed banks	2,228	287
	<u>23,060</u>	<u>3,327</u>
Less : Short term deposits pledged as securities	(100)	(200)
	<u><u>22,960</u></u>	<u><u>3,127</u></u>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	Accumulated Losses RM'000	
Six (6) months ended 30 June 2017							
As at 1 January 2017	37,789	-	-	1,954	4,724	(10,380)	34,087
Proceeds from issue of share capital pursuant of ESOS	4,275	-	-	-	-	-	4,275
Profit after taxation	-	-	-	-	-	(259)	(259)
Other comprehensive income:	-	-	-	-	-	-	-
- Revaluation surplus	-	-	-	-	-	-	-
- Transfer to profit or loss upon disposal of available-for-sale financial assets	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(259)	(259)
Realisation of revaluation reserve	-	-	-	(3)	-	3	-
As at 30 June 2017	42,064	-	-	1,951	4,724	(10,636)	38,102
Six (6) months ended 30 June 2016							
As at 1 January 2016	9,447	2,231	(31)	1,017	-	(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 income for the period	-	-	31	949	-	124	1,104
Realisation of revaluation reserve	-	-	-	(7)	-	-	(7)
As at 30 June 2016	9,447	2,231	-	1,959	-	(7,516)	6,121

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 –30 JUNE 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 28 June 2017 incorporated a new wholly owned offshore company, Empire ME Limited (Registration No. 190178) under the Offshore Companies Regulations of Jebel Ali Free Zone of 2003, with principal business activities of commercial investment and/or joint venture basis with other companies and real estate investments approved by JAFZA Projects (Jebel Ali Free Zone).

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. Financial review for Current Quarter and Cumulative Quarter

	Individual Period (2 nd Quarter)			Cumulative Period		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes (Amount)	Current Year to- Date	Preceding Year Corresponding Period	Changes (Amount)
	30.06.2017	30.06.2016		30.06.2017	30.06.2016	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	4,349	3,553	796	7,829	9,048	(1,219)
Operating Loss	(361)	123	(484)	(61)	382	(443)
Loss Before Interest and Tax	(361)	123	(484)	(61)	382	(443)
Loss Before Tax	(372)	92	(464)	(82)	319	(401)
Loss After Tax	(451)	14	(465)	(259)	123	(382)
Loss Attributable to Ordinary Equity Holder of the Company	(451)	14	(465)	(259)	123	(382)

	Q2 2017 RM'000	Q2 2016 RM'000
Revenue:-		
- Wireless/Mobile Services	1,886	2,083
- Digital and multimedia related services	2,463	1,470
Profit before taxation		
- Wireless/Mobile Services	(161)	54
- Digital and multimedia related services	(211)	38

The Group's revenue for the current quarter increase, compared to the preceding year corresponding quarter, was due to contribution from digital/multimedia services segments, as a result of the increased efforts by the Group and its business partners to promote these services.

The Group registered a higher loss after tax, compared to the preceding year corresponding quarter profit after tax, was due to higher operating expenditure from higher customer acquisition cost and administrative cost, coupled with higher infrastructure cost from system enhancement initiatives.

The Group's revenue for current year to date was lower, compared to the preceding year corresponding period, was due to lower contribution from Wireless/Mobile Services segments, due to lower consumer spending from slowdown in local economic environment.

The Group registered a current year to date loss after tax, compared to the preceding year corresponding period profit after tax, due to higher operating expenditure from higher customer acquisition cost and administrative cost, coupled with higher infrastructure cost from system enhancement initiatives.

2. Financial review for Current Quarter and Immediate Preceding Quarter

	Current Quarter	Immediate Preceding Quarter	Changes (Amount)
	30.06.2017	31.03.2017	
	RM'000	RM'000	RM'000
Revenue	4,349	3,480	869
Operating Loss	(361)	300	(661)
Loss Before Interest and Tax	(361)	300	(661)
Loss Before Tax	(372)	290	(662)
Loss After tax	(451)	192	(643)
Loss Attributable to the Owners of the Company	(451)	192	(643)

The Group registered a loss after tax compared to the immediate preceding quarter profit after tax, due to higher operating expenditure from higher customer acquisition and administrative cost, coupled with higher infrastructure cost from system enhancement initiatives.

3. Prospects

Market environment remains challenging, coupled with the general slowdown in the local economy, higher customer acquisition cost and 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 2015'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's ongoing development of bespoke technology platform solution with its business partners (both locally & overseas) remains, 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.

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, is ongoing. 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	
	Q2 2017 RM'000	Q2 2016 RM'000	Q2 2017 RM'000	Q2 2016 RM'000
Current year tax	(45)	(175)	(56)	(252)
Prior year tax	(34)	(216)	(120)	(258)
Deferred tax	NIL	313	(1)	314
Tax expense	(79)	(78)	(177)	(196)

6. Status of Corporate Proposals

- (a) 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	Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe For Utilisation	Deviation amount	Explanations (if the deviation is 5% or more)
1	Wireless and mobile application services expenses	2,000,000	-	Within twenty-four (24) months	-	-
2	Multimedia related service expenses Infrastructure - development expenditure	3,000,000	(2,947,317)	Within twenty-four (24) months	-	-
3	Digital related service expenses Purchase of advertising - display panels	8,000,000	(225,311)	Within twenty-four (24) months	-	-
4	Branch Expansion	4,000,000	-	Within twelve (12) months	-	-
5	Repayment of bank borrowings	2,750,000	(2,500,000)	Within twelve (12) months	-	-
6	Working capital	8,021,011	(7,507,594)	Within twenty-four (24) months	-	-
7	Expenses for the Corporate Exercises	570,989	(570,989)	Within six (6) months	-	-
		28,342,000	(13,751,211)			

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.

- (b) On 25 May 2017, Mercury Securities Sdn Bhd ("Mercury Securities") had, on behalf of the Company, announced that the Company proposes to undertake a private placement of new ordinary shares in the Company ("MNC Shares"), representing up to ten percent (10%) of the existing total number of issued shares of the Company (excluding treasury shares) to third party investor(s) ("Proposed Private Placement").

On 31 May 2017, Mercury Securities had, on behalf of the Company, announced that Bursa Securities had on even date approved the listing and quotation of up to 43,489,400 new MNC Shares to be issued pursuant to the Proposed Private Placement ("Placement Shares"). The Proposed Private Placement was subsequently completed following the successful placement of 43,489,400 Placement Shares at an issue price of RM0.05454 each and its subsequent listing on the ACE Market of Bursa Securities on 22 August 2017.

7. Group Borrowings and Debt Securities

	As at 2 nd quarter ended 30 June 2017		
	Non-current	Current	Total
	RM'000	RM'000	RM'000
Secured			
Term loan	2,508	175	2,683
Hire Purchases	959	64	1,023
Total	3,467	239	3,706
	As at 2 nd quarter ended 30 June 2016		
	Non-current	Current	Total
	RM'000	RM'000	RM'000
Secured			
Term loan	2,694	157	2,851
Hire Purchases	-	-	-
Total	2,694	157	2,851

8. Trade Receivables

The Group's normal trade credit terms range from cash term to 90 days term (2016: cash terms to 90 days). Other credit terms are assessed and approved on a case by case basis. There are no trade receivables from related parties.

	As at 2 nd quarter ended 30 June 2017				
	Current	1-3 months	3-6 months	More than 6 months	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Denominated in RM					
Trade receivables	2,887	527	210	282	3,906

9. Changes in Material Litigation

There is no material outstanding litigation as at the date of issue of these interim financial statements.

10. Dividend Payable

The Board of Directors did not recommend any dividend for the current quarter under review.

11. Earnings/Loss Per Share

	Current Year Quarter 30.06.2017	Preceding Year Corresponding Quarter 30.06.2016	Current Year To Date 30.06.2017	Preceding Year To Date 30.06.2016
Basic Earnings Per share				
Profit loss taxation (RM'000)	(451)	14	(258)	124
Weighted average number of ordinary shares in issue ('000)	385,858	94,474	385,858	94,474
Basic Earnings per share (sen)	(0.12)	0.01	(0.07)	0.13

12. Basic Diluted Earnings Per Share

	Current Year Quarter 30.06.2017	Preceding Year Corresponding Quarter 30.06.2016	Current Year To Date 30.06.2017	Preceding Year To Date 30.06.2016
Basic Diluted Per share				
Profit loss taxation (RM'000)	(451)	14	(258)	124
Weighted average number of ordinary shares in issue ('000)	574,805	94,474	574,805	94,474
Basic Diluted Earnings per share (sen)	(0.08)	Not Applicable	(0.05)	Not Applicable

13. Loss Before Taxation

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

	Current Year Quarter 30.06.2017 RM'000	Current Year To Date 30.06.2017 RM'000
Interest income	(16)	(154)
Interest expense	11	21
Depreciation of equipment	135	239
Reversal of impairment loss on receivables	-	(75)
Realised gain on foreign exchange	(1)	(2)
Allowance for impairment loss on receivables	-	42

14. Realised And Unrealised Losses Disclosure

	As at 30.06.2017 RM'000	As at 30.06.2016 RM'000
The accumulated losses of MNC Wireless Berhad and its subsidiaries :-		
- Realised	(9,986)	(7,516)
- Unrealised	(650)	-
Total Group accumulated losses as per consolidated accounts	<u>(10,636)</u>	<u>(7,516)</u>