M N C WIRELESS BERHAD
(Company No. 635884 - T)
(Incorporated in Malaysia)

NOTES TO THE QUARTERLY REPORT - 30 June 2006

Part A – Explanatory Notes Pursuant to Financial Reporting Standards ("FRS") 134 – Interim Financial Reporting

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134 – Interim Financial Reporting and Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market.

These interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005. These explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group.

2. Changes in Accounting Policies

The accounting policies and methods of computations adopted in these interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2005 except for the adoption of the following new/ revised FRSs issued by the Malaysian Accounting Standards Board that are effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of FRS 101, 108, 110, 116, 121, 127, 132, 133, 136 and 138 does not have any significant financial impact on the Group. The principal effects of the changes of some accounting policies resulting from the adoption of the new/revised FRSs are discussed below.

2. Changes in Accounting Policies (Cont'd)

(a) FRS 2: Share-based Payment

The adoption of FRS 2 has resulted in a change in accounting policy for staff costs of the Group arising from share options granted by the Group to the employees of the Group.

Prior to 1 January 2006, there was no recognition of employee benefits in the income statement for share options granted to employees of the Group. Upon adoption of FRS 2, the employee benefits relating to share options were recognised as an expense in the income statement over the vesting period of the grants with a corresponding increase in equity.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not been vested on 1 January 2006. The adoption of this FRS has not resulted in any financial impact to the Group as there were no new share options granted by the Group which remain unvested on 1 January 2006.

(b) FRS 3: Business Combinations

Goodwill acquired in a business combination is now stated at cost less any accumulated impairment losses. The adoption of these new FRSs has resulted in the Group ceasing annual amortisation of goodwill. Instead, goodwill is allocated to cash-generating units and the carrying amount is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. The adoption of this accounting policy has not resulted in any financial impact to the Group as there was no goodwill as at 1 January 2006.

Negative goodwill, which represents the excess in fair value of the net identifiable assets acquired over the cost of the acquisition, is now recognised immediately to the income statement. Prior to 1 January 2006, negative goodwill was recognised and amortised in the income statement over the weighted average useful life of those identifiable depreciable assets. The change in this accounting policy has been accounted for which resulted in the derecognition of negative goodwill of RM41,654 as at 1 January 2006 with a corresponding increase in retained profits. The presentation of the comparative figures in the financial statements of the Group has been restated to conform to the current period's presentation.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements of the Group for the financial year ended 31 December 2005 was not subject to any qualification.

4. Comments About Seasonal or Cyclical Factors

The business of the Group is not affected by any significant seasonal or cyclical factors.

5. 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 financial quarter under review.

6. Changes in Estimates

There were no significant changes in estimates that have a material effect in the financial quarter under review.

7. 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 financial quarter under review.

8. Dividends Paid

There were no dividends paid during the financial quarter under review.

9. Segmental Information

The segmental result of the Group for the financial period ended 30 June 2006 based on segment activities as follows:-

	Mobile Applications RM'000	**Wireless & Multimedia Software Applications RM'000**	**Elimination RM'000**	**Consolidation RM'000**
Revenue				
External sales	4,858	731	-	5,589
Inter-segment sales	(736)	-	736	-
	4,122	731	736	5,589
Results				
Profit before interest income and taxation				501
Interest income				102
Profit before taxation				603
Taxation				(3)
Profit For The Period				600

10. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during the financial quarter under review.

11. Subsequent Material Events

There were no material events subsequent to the end of the financial quarter which is not reflected in the financial statements of the quarter under review.

12. Changes in the Composition of the Group

There is no change in the composition of the Group during the financial quarter under review.

13. Contingent Assets and Contingent Liabilities

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

14. Commitments

	30.06.2006 RM'000
Approved and contracted for:-	
Capital expenditure	612

15. Significant Related Party Disclosures

Save as disclosed below, there were no other significant related party transactions during the financial quarter under review:

Nature of Related Party Transactions	**Transacting Related Parties**	**Note**	**Current Year To Date 30.06.2006 RM'000**
Advertisement and promotion expenses	OMD (M) Sdn. Bhd.	*(a)*	115
Provision of public relation & editorial services	DDB PR Sdn. Bhd.	*(b)*	24
Provision of creative artwork services	Rapp Collins Sdn. Bhd.	*(c)*	17

Note:

(a) A company in which certain directors and substantial shareholders of the Company (vide their substantial shareholdings in Monaxis Sdn. Bhd.) namely Datuk Lee Fook Long and Lionel Koh Kok Peng are also the directors.

(b) A company in which a director and substantial shareholder of the Company (vide his substantial shareholding in Monaxis Sdn. Bhd.), Lionel Koh Kok Peng is also a director.

(c) A company in which a director and substantial shareholders of the Company (vide his substantial shareholding in Monaxis Sdn. Bhd.), Datuk Lee Fook Long is a director and shareholder.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities for MESDAQ Market

1. Performance Review

For the current quarter under review, the Group generated revenue of RM2.4 million and loss after taxation of RM93,000. The reduction in revenue and profit as compared to the corresponding quarter in the preceding year was mainly due to tougher operating and economic environment as well as intense competition from same industry players.

In addition, following the Group's progressive compliances with the latest operating guidelines issued by Malaysian Communications and Multimedia Commission, the consumers' mobile downloads and applications experiences in general, have been affected and these have reduced the consumption of the Group's products and services.

2. Variation of Results Against Preceding Quarter

	Q2 2006 RM'000	Q1 2006 RM'000	% changes
Revenue	2,403	3,186	- 24.6%
(Loss)/Profit before taxation	(101)	704	-114.3%

The revenue of the Group for the current quarter under review had decreased by 24.6% as compared to RM3.2 million recorded in the previous quarter. This was mainly due to the softening demand for mobile content offered and the new operating guidelines imposed by the regulating authorities.

The loss for the current quarter under review was mainly due to the lower revenue generated.

3. Prospects

The Group will continue its efforts to research and develop new products and services to address the needs of new businesses. The Group is confident that the mobile contents and applications industry will continue to experience strong growth locally and regionally especially with more new 3G licensed players in the country. Presently, the Group is actively involved in the regulatory process with the Malaysian Communications and Multimedia Commission; and in collaborating with key players in the industry to develop fair business practice in the country such as the need to realign the industry for licensing and categorisation of services. With the new regulation in place, the Group foresees that this should benefit the Group as it is in line with the Group's strategies to remain in the forefront of good corporate governance and healthy business practices. Hence, the Group cautiously believe that the reduction in revenue will be just a temporary phenomenon to allow the subscribers to adjust to the new download procedures. As such, barring any unforeseen circumstances, the Board anticipates that the performance of the Group will be positive for the remainder of this financial year.

4. Profit Forecast and Profit Guarantee

The Group has not issued any profit forecast or profit guarantee in any public documents.

5. Taxation

	Current Year Quarter 30.06.2006 RM'000	Current Year To Date 30.06.2006 RM'000
Current tax		
- current period	2	13
Deferred tax		
- current period	(10)	(10)
	(8)	3

The effective tax rate of the Group is lower than the Malaysian statutory tax rate of 28%. There is no taxation charge on certain business income as MNCW was accorded the Multimedia Super Corridor status, which qualifies for the Pioneer Status incentive under the Promotion of Investment (Amendment) Act, 1986. Hence MNCW had enjoyed tax exemption on approved activities during the financial quarter under review. The taxation charge is only in respect of interest income.

6. Sale of Unquoted Investments and Properties

There was no sale or purchase of unquoted investments and/or properties during the financial quarter under review.

7. Quoted Securities

There was no purchase or disposal of quoted securities during the financial quarter under review. The Group has not invested in quoted securities as at the date of this report.

8. Status of Corporate Proposals

There was no corporate proposal announced but not completed in the financial quarter under review.

The status of the utilisation of the Group's Initial Public Offer proceeds for the quarter ended 30 June 2006 are as follows:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	Deviation %	Explanations
Purchase of new equipment	1,580	(576)	1,004	63.5	*
Working capital	1,200	(724) [(1)]	476	39.7	*
Overseas expansion	1,500	(62)	1,438	95.9	**
Research and development	2,100	(590)	1,510	71.9	*
Estimated listing expenses	1,300	(1,300)	-	-	
Total	7,680	(3,252)	4,428	57.7	

* *The proceeds are expected to be utilised within three (3) years from the date of MNC's listing on the MESDAQ Market on 25 October 2005.*

** *The proceeds are expected to be utilised within two (2) years from the date of MNC's listing on the MESDAQ Market on 25 October 2005.*

[(1)] *Inclusive of RM152,758 utilised for additional listing expenses pertaining to the Public Issue.*

9. Group Borrowings and Debt Securities

The Group does not have any borrowings or debt securities as at 30 June 2006.

10. Off Balance Sheet Financial Instruments

There is no material off balance sheet financial instruments as at the date of this report.

11. Changes in Material Litigation

There is no material outstanding litigation as at the date of this report.

12. Dividend Payable

No dividend has been declared or paid during the financial quarter under review.

13. (Loss)/Earnings per Share

The (loss)/earnings per share were calculated by dividing the Group's (loss)/profit after taxation by the weighted average number of ordinary shares in the respective period as follows:

	Individual Quarter		**Cumulative Quarter**	
	Current Year Quarter 30.06.2006	**Preceding Year Corresponding Quarter 30.06.2005 (restated*)**	**Current Year To Date 30.06.2006**	**Preceding Year To Date 30.06.2005 (restated*)**
(Loss)/Profit after taxation (RM'000)	(93)	1,357	600	1,843
Weighted average number of ordinary shares ('000)				
- basic earnings	94,474	33,608	94,454	33,608
- diluted earnings	95,095	33,608	95,546	33,608
(Loss)/Earnings per share (sen)				
- basic	-0.10	4.04	0.64	5.48
- diluted	-0.10	4.04	0.63	5.48

** Restated as to take into the effects of share split and bonus issue before the Initial Public Offer on 25 October 2005.*

14. 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 14 August 2006.

By Order of the Board
Mah Li Chen (MAICSA 7022751)
Lim Siew Ting (MAICSA 7029466)
Company Secretaries
Kuala Lumpur
14 August 2006