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

NOTES TO THE QUARTERLY REPORT – 31 December 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 which will 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 year ended 31 December 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	8,622	1,232	-	9,854
Inter-segment sales	1,129	-	(1,129)	-
	9,751	1,232	(1,129)	9,854
Results				
Loss before interest income and taxation				(1,802)
Interest income				225
Loss before taxation				(1,577)
Taxation				31
Loss For The Year				(1,546)

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

Save as disclosed below, 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:-

(i) On 23 January 2007, MNCW had entered into a conditional subscription and sales and purchase of shares agreement with Alvin Yap Choon Ming, Yap Kim Soo, Eugene Goh Tiang Hong and Chow Yen Lu Yale (collectively referred to as the "Vendors"), and Nexgen Studio Pte Ltd ("Nexgen") for the following:

(a) Acquisition of 8,300 ordinary shares in Nexgen from the Vendors for a total cash consideration of SGD 290,500; and

(b) Subscription of 20,000 new ordinary shares in Nexgen for a total cash consideration of SGD500,000.

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

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

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 31.12.2006 RM'000**
Advertisement and promotion expenses	OMD (M) Sdn. Bhd.	*(a)*	115
Provision of public relation & editorial services	DDB PR Sdn. Bhd.	*(b)*	50
Provision of creative artwork services	Rapp Collins Sdn. Bhd.	*(c)*	17
Advertisement and promotion expenses	Vizeum Media Services (M) Sdn. Bhd.	*(d)*	393

Notes:

(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. Datuk Lee Fook Long and Lionel Koh Kok Peng had ceased to be the directors of OMD (M) Sdn Bhd on 17 August 2006.

(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.

(d) 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.

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

1. Performance Review

For the current quarter under review, the Group recorded a loss after taxation of RM1.84 million on the back of RM1.14 million in terms of revenue. The reduction in revenue and profit as compared to the corresponding quarter in the preceding year was mainly due to a tougher operating and economic environment as well as intense competition from the other players within the industry.

2. Variation of Results Against Preceding Quarter

	Q4 2006 RM'000	Q3 2006 RM'000	% change
Revenue	1,144	3,121	-63.3%
Loss before taxation	(1,835)	(344)	433.4%

The revenue of the Group for the current quarter under review decreased by 63.3% as compared to RM3.1 million recorded in the previous quarter. The decrease in revenue was mainly due to the softening demand for mobile content offered.

The loss after taxation recorded by the Company for the current quarter under review was mainly due to the decrease in the revenue generated.

3. Prospects

The Board believes that the Group's recent venture into the online games business will provide the MNC Group with a new, stable and multi-dimension revenue source that fits well into its business plan to focus on driving high-technology and enterprise-based revenues. Moving forward, the Company will work closely with its newly acquired associate company in Singapore, Nexgen Studio Pte Ltd to drive technology sharing, research and development to continuously produce engaging content and services for the high-speed mobile and internet market. The Board is of the view that, there are still substantial untapped mobile value added services ("VAS") markets in Malaysia such as the high technology 3G mobile content (i.e. mobile game and mobile video streaming). The Group has earmarked the VAS market since early 2006 and it is now ready to distribute its 3G mobile content locally, regionally and also to any 3G market in the world. The 3G mobile VAS market in Malaysia is well-poised for growth with various players in the industrial chain such as mobile content developers, mobile operators, mobile service providers and mobile phone vendors whom have undertake the initiatives to grow the 3G usage in the country.

The Board is of the view that this new business stream will benefit the Group. As such, baring any unforeseen circumstances, the MNC Group is expected to turn around in the year 2007.

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 31.12.2006 RM'000	Current Year To Date 31.12.2006 RM'000
Current tax		
- current period	-	17
- under-provision in prior year	-	2
Deferred tax		
- reversal during current year	-	(50)
	-	(31)

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 of the Group as MNCW was accorded the Multimedia Super Corridor status, which qualifies for the Pioneer Status incentive under the Promotion of Investment (Amendment) Act, 1986. Taxation charge is only in respect of interest income.

6. Sale of Unquoted Investments and Properties

There was no sale 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 31 December 2006 are as follows:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	Deviation %	Explanations
Purchase of new equipment	1,580	(1,580)	-	-	
Working capital	1,200	(1,200) (1)	-	-	
Overseas expansion	1,500	(73)	1,427	95.1	**
Research and development	2,100	(1,039)	1,061	50.5	*
Estimated listing expenses	1,300	(1,300)	-	-	
Total	7,680	(5,192)	2,488	32.4	

* *The proceeds are expected to be utilised within three (3) years from the date of MNCW'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 MNCW'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 31 December 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 31.12.2006	**Preceding Year Corresponding Quarter 31.12.2005**	**Current Year To Date 31.12.2006**	**Preceding Year To Date 31.12.2005**
(Loss)/Profit after taxation (RM'000)	(1,835)	90	(1,546)	3,241
Weighted average number of ordinary shares ('000)				
- basic earnings	94,474	85,564	94,464	50,047
- diluted earnings	94,474	86,548	95,399	50,295
(Loss)/Earnings per share (sen)				
- basic	-1.94	0.11	-1.64	6.48
- diluted	-1.94	0.10	-1.62	6.44

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 9 February 2007.

By Order of the Board
Mah Li Chen (MAICSA 7022751)
Lee Yu-chern (MAICSA 7051612)
Company Secretaries
Kuala Lumpur
14 February 2007