

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2007**

**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 and Appendix 9B 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 2006. 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 2006, except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 October 2006::

FRS 117 Leases

FRS 119<sub>(2004)</sub> Employee Benefits – *Actuarial Gains and Losses, Group Plans and Disclosures*

FRS 124 Related Party Disclosures

The adoption of the abovementioned FRSs does not have any significant financial impact on the Group.

As at the date of this report, the Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has yet to be determined by the Malaysian Accounting Standards Board.

**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 2006 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 period ended 30 September 2007 based on segment activities as follows:-

|   | Mobile<br>Applications<br>RM'000 | Wireless &<br>Multimedia<br>Software<br>Applications<br>RM'000 | Elimination<br>RM'000 | Consolidation<br>RM'000 |
|---|----------------------------------|--|-----------------------|-------------------------|
| <b>Revenue</b>                              |                                  |  |                       |                         |
| External sales                              | 5,207                            | 1,237  | -                     | 6,444                   |
| Inter-segment sales                         | 1,533                            | -  | (1,533)               | -                       |
|   | <u>6,740</u>                     | <u>1,237</u>   | <u>(1,533)</u>        | <u>6,444</u>            |
| <b>Results</b>                              |                                  |  |                       |                         |
| Loss before interest<br>income and taxation |                                  |  |                       | (810)                   |
| Interest income                             |                                  |  |                       | 137                     |
| Share of loss of associate                  |                                  |  |                       | (224)                   |
| Loss before taxation                        |                                  |  |                       | <u>(897)</u>            |
| Taxation                                    |                                  |  |                       | -                       |
| Loss For The Period                         |                                  |  |                       | <u><u>(897)</u></u>     |

## 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 were no changes 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<br>30.09.2007<br>RM'000 |
| Advertisement and promotion expenses  | Vizeum Media Services (M) Sdn. Bhd. | (a)  | 14                              |
| Provision of public relation services | DDB PR Sdn. Bhd.                    | (b)  | 15                              |
| Sales                                 | Rapp Collins (M) Sdn. Bhd.          | (c)  | 11                              |
| Sales                                 | Naga DDB Sdn Bhd                    | (d)  | <u>117</u>                      |

*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 directors of Vizeum Media Services (M) Sdn. Bhd.
- (b) A company in which a director and a substantial shareholder of the Company (vide his substantial shareholding in Monaxis Sdn. Bhd.), namely Lionel Koh Kok Peng is a director of DDB PR Sdn Bhd.
- (c) A company in which a director and a substantial shareholder of the Company (vide his substantial shareholding in Monaxis Sdn. Bhd.), namely Datuk Lee Fook Long is a director and a shareholder of Rapp Collins (M) Sdn Bhd.
- (d) A company in which directors and substantial shareholders of the Company (vide his substantial shareholding in Monaxis Sdn. Bhd.), namely Datuk Lee Fook Long and Lionel Koh Kok Peng hold key management positions in Naga DDB Sdn Bhd.

## **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 RM0.479 million on the back of RM2.483 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**

|                      | Q3 2007<br>RM'000 | Q2 2007<br>RM'000 | % change |
|----------------------|-------------------|-------------------|----------|
| Revenue              | 2,483             | 2,226             | 11.5%    |
| Loss before taxation | (479)             | (118)             | 305.9%   |

The revenue of the Group for the current quarter under review improved by 11.5% as compared to RM2.2 million recorded in the previous quarter. The higher revenue in the current quarter was due to the high demand for the Group's product as a result of its continuous research and development efforts.

Despite the increase in revenue, the Group incurred a loss before taxation of RM0.479 million for the current quarter under review. The loss was mainly due to lower profit margin from its External Content Provider Aggregation Platforms and the share of loss from its associated company of RM0.153 million.

### **3. Prospects**

The Board is of the view that the telecommunications industry is expected to continue to enjoy continuous growth for the remaining of the year but competition is expected to further intensify. The Group will continue to focus on its regional market expansion plan by looking into the expansion of its business operations in overseas markets.

Barring any unforeseen circumstances, the Board is of the opinion that the market will remain competitive for the last quarter of the financial year ending 31 December 2007.

### **4. Profit Forecast and Profit Guarantee**

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

### **5. Taxation**

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. The tax exemption is for a period of five (5) years from 31 January 2004 to 30 January 2009.

## **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 and Utilisation of Proceeds**

(a) Save as disclosed below, there were no other corporate proposals announced but not completed in the financial quarter under review:-

- (i) MOU between MNCW, Nu-Efektif Sistem Sdn Bhd and Harrier Jaya Holdings Sdn Bhd

On 20 September 2006, the Company had announced that it had on even date entered into a MOU with Nu-Efektif Sistem Sdn Bhd and Harrier Jaya Holdings Sdn Bhd, to jointly work on the operational arrangements on the deployment and implementation of the mobile enterprise services provided by MNCW.

On 16 March 2007 and 2 October 2007, the Company announced that there has been no material change or development to the MOU.

- (ii) MOU between MNCW and VODATEL Group

On 3 May 2007, the Company had announced that it had on 1 May 2007, entered into a MOU with VODATEL Group to jointly work on the commercial and operational arrangements for the deployment and implementation of mobile value added services in the Kingdom of Saudi Arabia, Gulf Council Countries and the Middle East and North Africa countries.

On 2 October 2007, the Company had announced that it had on even date entered into a Shareholders Agreement with VODATEL LLC to establish a joint venture company in the Kingdom of Saudi Arabia in the business of mobile value added services.

- (iii) MOU between MNCW and GOTEL

On 3 May 2007, the Company had announced that it had on even date, entered into a MOU with GOTEL, to jointly work on the commercial and operational arrangements for the improvement of GOTEL's business in Thailand.

On 3 October 2007, the Company announced that there has been no material change or development to the MOU.

(b) Utilisation of proceeds from Initial Public Offering (“IPO”)

As at 30 September 2007, the proceeds raised from the IPO have been utilised as follows:-

| Purpose                    | Proposed              | Actual                 | Variation** |      | Intended<br>Timeframe<br>for<br>Utilisation |
|----------------------------|-----------------------|------------------------|-------------|------|---|
|                            | Utilisation<br>RM'000 | Utilisation<br>RM'000  | RM'000      | %    |   |
| Purchase of new equipment  | 1,580                 | (1,580)                | -           | -    |   |
| Working capital            | 1,200                 | (1,200) <sup>(1)</sup> | -           | -    |   |
| Overseas expansion         | 1,500                 | (1,500)                | -           | -    |   |
| Research and development   | 2,100                 | (1,737)                | 363         | 17.3 | *   |
| Estimated listing expenses | 1,300                 | (1,300)                | -           | -    |   |
| Total                      | 7,680                 | (7,317)                | 363         | 4.7  |   |

**Note:-**

<sup>(1)</sup> Inclusive of RM152,758 utilised for additional listing expenses pertaining to the Public Issue.

\* 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.

\*\* There has been no deviation to the proposed utilisation of proceeds since the Company's IPO.

**9. Group Borrowings and Debt Securities**

The Group does not have any borrowings or debt securities as at 30 September 2007.

**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**

|   | Individual Quarter                  |            | Cumulative Quarter                  |            |
|---|-------------------------------------|------------|-------------------------------------|------------|
|   | 3 months period ended<br>30.09.2007 | 30.09.2006 | 9 months period ended<br>30.09.2007 | 30.09.2006 |
| (1) Basic (loss)/ earnings per share                          |                                     |            |                                     |            |
| (Loss)/Profit after taxation (RM'000)                         | (479)                               | (310)      | (897)                               | 290        |
| Weighted average number of<br>ordinary shares in issue ('000) | 94,474                              | 94,474     | 94,474                              | 94,461     |

|   |         |        |         |        |
|---|---------|--------|---------|--------|
| Basic (loss)/ earnings per share (sen)                              | (0.51)  | (0.33) | (0.95)  | 0.31   |
| <b>(2) Diluted (loss)/ earnings per share</b>                       |         |        |         |        |
| (Loss)/Profit after taxation (RM'000)                               | (479)   | (310)  | (897)   | 290    |
| Weighted average number of ordinary shares ('000)                   | 94,474  | 94,474 | 94,474  | 94,454 |
| Adjustment for share options granted                                | (2,000) | (624)  | (1,457) | 975    |
| Adjusted weighted average number of ordinary shares in issue ('000) | 92,474  | 93,850 | 93,017  | 95,429 |
| Diluted (loss)/ earnings per share (sen)                            | (0.51)* | (0.33) | (0.95)* | 0.30   |

\* The effect on the basic loss per share for the current quarter arising from the assumed conversion of Employee Share Option Scheme is anti-dilutive.

#### **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 15 November 2007.

#### **By Order of the Board**

Mah Li Chen (MAICSA 7022751)  
Lee Yu-chen (MAICSA 7051612)  
Company Secretaries  
Kuala Lumpur  
15 November 2007