mTouche™

MTOUCHE TECHNOLOGY BERHAD

(656395-X)

Annual Report 07

Contents

Financial Statements

Corporate Information

BOARD OF DIRECTORS

Goh Eugene (Wu Eugene)	Chief Executive Officer (Chairman/Executive Director)
Tan Wee Meng (Chen Weiming)	Chief Operating Officer (Executive Director)
Ng Joo How	Independent Non-Executive Director
Lai Teik Kin	Independent Non-Executive Director
Yee Chee Wai, Patrick	Non Independent Non-Executive Director

AUDIT COMMITTEE

Ng Joo How (Chairman)
Independent Non Executive Director

Lai Teik Kin (Member)
Independent Non Executive Director

Yee Chee Wai, Patrick (Member)
Non Independent Non Executive Director

NOMINATING COMMITTEE

Ng Joo How (Chairman)
Independent Non Executive Director

Lai Teik Kin (Member)
Independent Non Executive Director

Yee Chee Wai, Patrick (Member)
Non Independent Non Executive Director

REMUNERATION COMMITTEE

Ng Joo How (Chairman)
Independent Non Executive Director

Lai Teik Kin (Member)
Independent Non Executive Director

Yee Chee Wai, Patrick (Member)
Non Independent Non Executive Director

COMPANY SECRETARY

Seow Fei San (MAICSA 7009732)
No. 1 Jalan SS21/38
Damansara Utama
47400 Petaling Jaya, Selangor
Tel : 03 7803 1126

Law Mee Poo (MAICSA 7033423)
No. 11 Jalan Puteri 10/2
Bandar Puteri Puchong
47100 Puchong, Selangor
Tel : 03 7803 1126

REGISTERED OFFICE

312, 3rd Floor Block C Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya, Selangor
Tel : 03 7803 1126
Fax : 03 7806 1387

HEAD OFFICE

mTouche Technology Berhad
Suite 39 06 Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur
Tel : 03 2166 0018
Fax : 03 2166 1028
Website:www.mtouche.com

AUDITORS

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur
Tel : 03 7495 8000

PRINCIPAL BANKER

OCBC Bank Berhad

SHARE REGISTRAR

Epsilon Registration Services Sdn Bhd
G 01, Ground Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Tel : 03 4047 3999
Fax : 03 4042 6352

SPONSOR

OSK Investment Bank Berhad
20th Floor, Plaza OSK, Jalan Ampang
50450 Kuala Lumpur
Tel : 03 2333 8333

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia Securities Berhad

Corporate Structure

MTOUCHE TECHNOLOGY BERHAD
(656395-X) (Incorporated in Malaysia)

- IdotTV Sdn Bhd 20% (Malaysia)
- Cellcast SEA Limited 50% (Hong Kong)
  - Cellcast Interactive Malaysia Sdn. Bhd. 100% (Malaysia)
- GMO Limited 29.93% (United Kingdom)
- Mobile Touchetek Sdn Bhd 100% (Malaysia)
- mTouche Pte Ltd 100% (Singapore)
  - Nastech Limited 100% (Hong Kong)
    - Mobile Fusion Pte Ltd 100% (Singapore)
- PT mTouche 99% (Indonesia)
- mTouche (Thailand) Co., Ltd 99.94% (Thailand)
- mTouche (HongKong) Ltd 100% (Hong Kong)
  - MTHK Technology Limited 100% (China)
  - Rayson Management Limited 70% (British Virgin Islands)
    - Smartcom Global Pte Ltd 100% (Singapore)
    - Telesmart Communications Sdn. Bhd. 100% (Malaysia)
    - Telegobal Network Limited 100% (HongKong)
- mTouche (Australia) Pty Ltd 100% (Australia)
- mTouche (Vietnam) Co., Ltd 100% (Vietnam)
  - M.B.O.X. Joint Stock Company 37.5% (Vietnam)
- mTouche Technology India Private Ltd 100% (India)
- Inova Venture Pte Ltd 51% (Singapore)
  - Brillante Novastella Sdn Bhd 100% (Malaysia)
- mBit Pte. Ltd. 59% (Singapore)

Profile of Directors

GOH EUGENE (WU EUGENE)

Goh Eugene, a Singaporean, aged 33, was appointed as Chief Executive Officer of our Group on 17 June 2004. He was redesignated as Chairman and Chief Executive Officer of our Group with effect from 20 February 2006.

Eugene is the founder of mTouche Pte Ltd ("MPL") and a major contributor to the setup of MPL's pioneering operations in Singapore. Prior to the setting up, Eugene was the founder of Startech Interactive Pte Ltd ("Startech") which spun off MPL (mTouche, a division of Startech) subsequently in June 2002. Under his guidance, our Group has grown and expanded exponentially into other Southeast Asia markets such as Malaysia, Indonesia and Thailand with local offices set up in each country. With this, our Group is one of the mobile technology platform service providers in the world to have direct server connections to all MNOs in Singapore, Malaysia, Indonesia and Thailand, thereby offering an unparallel reach to regional customers.

Eugene graduated with a Bachelor of Business degree from the National University of Singapore in 1999.

TAN WEE MENG (CHEN WEIMING)

Tan Wee Meng, a Singaporean, aged 33, was appointed as the Chief Operating Officer on 17 June 2004. Wee Meng is co founder of MPL.

Wee Meng has several years of working experience in the mobile computing and telecommunications industry. Prior to setting up MPL, Wee Meng served as a Senior Account Manager with MobileOne Ltd (formerly known as MobileOne (Asia) Pte Ltd) (a listed mobile operator in Singapore) since November 2000 till July 2002. He defined and developed strategies for channel partnerships, mobile solutions and products dedicated to enterprise businesses. This included market development and marketing of 2.5G services and infrastructure for the corporate sector. He also pioneered the solution sales unit converging hardware, applications and wireless communications technologies via strategic alliances for the business marketplace.

Wee Meng graduated with an Upper Class Honours Degree in Accountancy from Nanyang Technological University in Singapore 1999.

NG JOO HOW

Ng Joo How, a Malaysian, aged 54, was appointed as our Independent Non Executive Director on 20 May 2005. Joo How is also Chairman of Audit Committee, Nominating Committee and Remuneration Committee.

Joo How is a Fellow member of The Association of Chartered Certified Accountants, United Kingdom (ACCA). Joo How has been an active member of the Malaysian Chapter of ACCA and served as its vice president from July 1997 to August 1998. Currently, Joo How is the Delegate representing Malaysia in the International Assembly of ACCA in London. He is also a member of the Malaysian Institute of Accountants as a Chartered Accountant and the Malaysian Institute of Taxation.

Joo How has more than 25 years experience in the field of accountancy and tax practices. He has been in public practice as an Approved Company Auditor for more than 20 years and is currently the Managing Partner of Messrs. Ng Joo How & Wan, a Chartered Accountants firm.

LAI TEIK KIN

Lai Teik Kin, a Malaysian, aged 44, was appointed as our Independent Non Executive Director on 20 May 2005. Teik Kin is also member of Audit Committee, Nominating Committee and Remuneration Committee.

Teik Kin is a co founder of Nova MSC Berhad which was listed on the MESDAQ Market in August 2003. He is the Chief Business Development officer for Nova MSC Group and Chief Executive Officer of novaHEALTH Pte Ltd. Teik Kin started his career in 1988 as a Supervisor with Baxter Healthcare in Malaysia. From 1989 to 1992, he joined the Housing & Development Board of Singapore as a surveyor. Thereafter, he left to be a Product Specialist of Siemens Nixdorf Information Systems Pte Ltd from 1992 to 1993. From 1993 to 1995, he was employed in the IT Division of Siemens Pte Ltd as a Senior Consultant. Throughout these positions, he had been involved in the pre sales, consultancy and project management of large scale IT projects, both in Singapore and aboard. Among his achievements were the winning of major projects for the development of application software from Singapore's two major hospitals and a private hospital.

Teik Kin holds a Bachelor (Hons) in Surveying from the University of Queensland, Australia.

YEE CHEE WAI, PATRICK

Yee Chee Wai, Patrick, a Malaysian, aged 43 was appointed as our Non Independent Non Executive Director on 31 March 2008. Chee Wai is also member of Audit Committee, Nominating Committee and Remuneration Committee.

Chee Wai is a member of the Malaysian Institute of Accountants as a Chartered Accountant and Malaysian Institute of Certified Public Accountants as a Certified Public Accountant. He has more than 16 years of investment banking experience, in particular, the corporate finance activities such as initial public offerings, capital raising exercises, mergers and acquisitions, corporate restructuring and underwritings of equity issues.

Chee Wai was attached with various investment banks from June 1991 to July 2007. Prior joining OSK Venture Equities Sdn. Bhd. in August 2007, he was the General Manager of Public Investment Bank Berhad. He then designated as Chief Operating Officer of OSK Venture Equities Sdn. Bhd. in March 2008. He was appointed as Director of subsidiaries of OSK Ventures International Berhad.

Chee Wai is also a director of eBworx Berhad (w.e.f. 01.04.2008) and an Alternate Director of Green Packet Berhad (w.e.f. 03.04.2008).

NOTES TO DIRECTORS' PROFILE

The Directors do not have directorship in other public listed companies in Malaysia, except as disclosed for Yee Chee Wai, Patrick.

The Directors do not have any family relationship with any Directors and/or major shareholders of the Company.

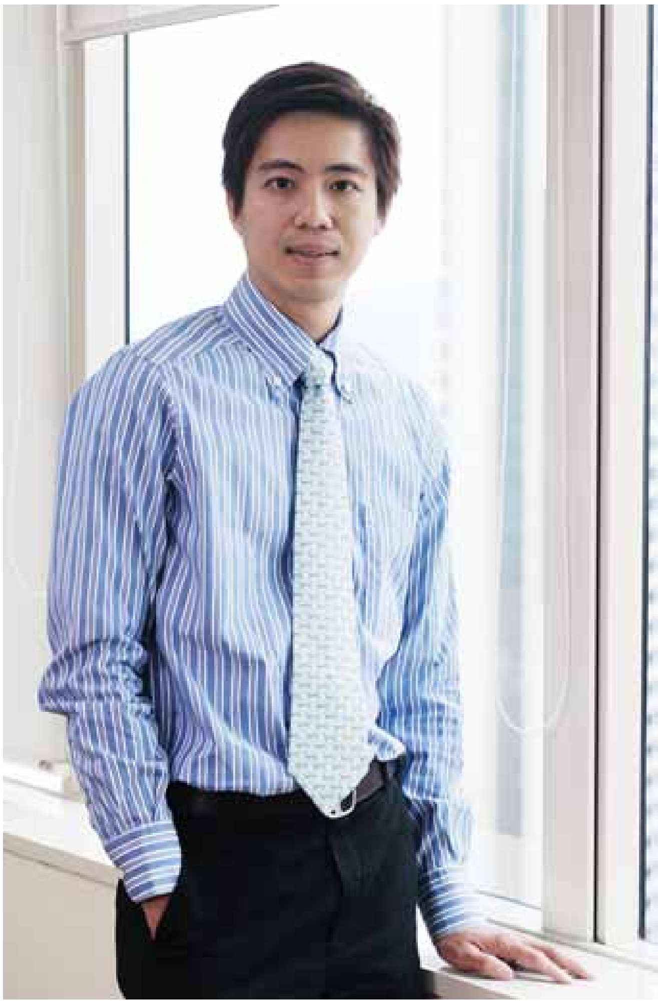
The details of the Directors' securities holdings are set out in the Analysis of Ordinary Shareholdings as at 4 April 2008.

The details of the Directors' attendance at Board and Audit Committee meetings are set out on page 10 and 14 of the Annual Report respectively.

None of the Directors have been convicted for any offences within the past ten (10) years other than traffic offences, if any. None of the Directors have any conflict of interest with the Company.

The composition of the Board of Directors complies with Rule 15.02 of the Listing Requirements whereby the number of Independent Directors exceeds 1/3 of the Board.

Chairman's Statement



On behalf of the Board of Directors of **mTouche Technology Berhad**, it is my pleasure to present the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 December 2007.

2007 was a challenging year for mTouche and proved to be a less than expected year.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2007, the Group's revenue and loss before tax amounted to approximately RM45.2 million and RM13.3 million respectively. The fall in revenue as compared to the preceding year is mainly due to the competitive market and regulatory environment, in which the Group operates, which led to a lower market share and lower gross profit margin.

The less than satisfactory results of 2007 were also largely due to higher expenses in new subsidiaries in Vietnam, Hong Kong and India, provision of doubtful debts and bad debts written off, provision for impairment of goodwill, higher depreciation and amortisation of intellectual property.

2006 was a year of aggressive expansion into major Asian markets, to build and capitalise a stronger regional footprint and to establish a stronger, sustainable competitive advantage. We streamlined our acquisitions in 2007 and have incurred all necessary start up costs, in addition to hiring all the right people in each of our subsidiaries. Besides this, our focus and investment had been in new products development and market expansion, to provide new revenue streams. We have also provided for and written off non performing investments, while continuing to strengthen the Group's core fundamentals.

With a rejuvenated focus on organic growth, and improving new revenue streams through new developed products, 2008 will be a clean slate for the Group.

RESEARCH AND DEVELOPMENT ("R&D")

mTouche's R&D effort continues at a steady pace, both in terms of new product development and developing its core platforms to harness the ever changing network infrastructures. mTouche's 3G Platform now supports User Generated Content ("UGC"), which greatly enhances web to mobile social networking community. User uploaded contents will be trans coded dynamically into various formats suitable for mobile and web usage.

mTouche Group has launched M Bit Network, the world's first global peer to peer ("P2P") search and file super distribution network, which allows users to download and share large amounts of content, bit torrent style, over mobile networks. mTouche has also developed a massive Multi Platform Social Network Service ("MPSNS"), which serves as a "multi platform online community". It allows worldwide users to connect and interact via multiple platforms pervasively, at any place and at any time via Mobile, SMS, Web and Voice.

As 3G matures in the markets, mTouche sees further exploitation in enriching content and services. Development pipelines are in place to roll out enhanced capabilities to our 3G platforms. The Group will continue to invest strategically in R&D activities.

BUSINESS DEVELOPMENT AND PROSPECT

In 2007, mTouche was named as one of the world's hottest start ups, outside of the U.S. of America by Business 2.0. mTouche was the only one of 31 non U.S. technology based companies, and the only Malaysian based company thus far to be picked by the US based magazine in its annual profile of the world's best business ideas. Business 2.0 is published by The Time Inc. Business & Finance network, a leading source for world wide business news and information.

We are honored and delighted at this feat, to be recognised amongst some of the most innovative and dynamic companies from all over the world. It seems that mTouche's mantra of always being on the look out for the latest, most ground breaking technologies to absorb into our business is well appreciated, and we are truly grateful for this.

In addition, mTouche bagged 2nd place at the Malaysia Brand Equity 2007 Awards ceremony held in August 2007. Malaysia Brand Equity 2007 Awards was organized by Perception Media Sdn Bhd, in recognition of local and international brands' performance in Malaysia. The TOP TEN VISIBLE BRANDS poll results were based on Nielsen Media Research (Malaysia)'s TV Rating Study collated from TV advertising expenditure and viewership data.

The Group will focus on growing our market share in Asia for the year 2008. We will be actively introducing new services and products to our existing markets. The majority of the Group's earnings come from overseas, and the trend is expected to continue while Malaysia continues to be a strong contributor to the group's earnings.

As mTouche has invested significant resources in Hong Kong, China, Indonesia and Thailand, we expect to see increasing new contribution to year 2008 revenues. The China market is expected to grow exponentially, with mTouche's recent launch of our very own advertising platform, to very encouraging response. In addition, mTouche also launched a new mobile friendship site, Juzfrens, which has garnered more than 120,000 subscribers.

mTouche captured a lot of buzz especially after we launched M Bit Network. *M Bit Network* was awarded First Runner up for the 3rd Edition Challenge, organized by Nokia and Macromedia during the Symbian Smartphone Show 2006 in London; shortlisted as one of the three finalists for the first Asia Mobile Innovation Awards organised by GSM Association; and a finalist in the Mobile Music and Innovator of the Year category, Forum Nokia Pro Awards 2006. We expect the launch of *M Bit Network* to further solidify our position as the leading provider for mobile messaging technologies and interactive media applications in the region.

BUSINESS DEVELOPMENT AND PROSPECT (Cont'd)

Interactive television is a segment which is growing in tune with the audience needs. mTouche presently runs a few interactive programmes in Malaysia, Thailand and Indonesia and is set to launch a few more in Vietnam. With high mobile phone penetration, advanced telecommunications infrastructure, a vibrant media environment, proven audience participation, interactive TV will certainly revolutionize how TV programmes are being played out.

In Malaysia, mTouche together with UK based Cellcast Plc ("Cellcast") has successfully launched our latest Interactive Television ("iTV") show *CelebMania* in July 2007. *CelebMania* is the second iTV show to broadcast over TV3 using Cellcast's iTV format and solutions, leveraging the mTouche Intelligent Short Messaging Platform, mTouche Interactive TV Platform for Premium Short Messaging Services ("SMS") and Premium Interactive Voice Recognition ("IVR") services. *CelebMania* is also the first iTV show on TV3 that uses a real time three dimensional (3D) rendered virtual reality set, featuring high tech graphics and puzzles elements on the show.

Our ability to produce highly rated TV shows is credited to us having Cellcast, a world class production team with more than 10 years of experience in this field. mTouche is proud to be spearheading the local broadcast industry by having a major part in developing quality, interactive content.

After a tough year, mTouche expects to fare much better. 2008 is going to be a very exciting year for us.

GOH EUGENE
Chairman

Statement of Corporate Governance

THE IMPORTANCE OF CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and the financial performance of mTouche Group. To this end, the Board fully supports the Malaysian Code on Corporate Governance ("the Code").

With this in mind, measures and efforts have always been taken to ensure as far as practicable, the adoption and the implementation of the Code's Best Practices and the compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirement throughout the Company.

The Board is pleased to outline the key principles and best practices of the Group, taken as a whole, which forms the system of governance adopted by the Board.

A. DIRECTORS

The Board

An effective Board with diverse backgrounds leads and controls the Group to ensure capable management. It resolves key business matters and corporate policies except those reserved for shareholders as provided in the Articles of Association in accordance with the Companies Act 1965, and other Regulations.

The Board consisting of competent individuals with appropriate specialised skills and knowledge successfully direct, supervise and manage the Group's business as a going concern, which encompass issues of setting strategic business directions, overseeing conducts and affairs, developing shareholders and investors relations and communications, reviewing the system of internal control and succession planning.

The Board takes full responsibility for the performance of the Group and provides strategic direction and effective control of the Group. The Board complements an executive management team in delivering sustainable added value for shareholders.

In discharging its fiduciary duty, the Board is assisted by Board Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. Each Committee operates within its respective specific terms of references which have been approved by the Board. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board of Directors.

Board Composition and Balance

The Board currently has five members, comprising two (2) Executive Directors, two (2) Independent Non Executive Directors and One (1) Non Independent Non Executive Director. Together, the Directors bring a wide range of business and financial experience relevant to a large, expanding group. A brief description of the background of each Director is presented on pages 4 and 5.

The presence of Independent Non Executive Directors fulfils a pivotal role in corporate accountability with their unbiased and independent views, advice and judgement to take into account of the long term interests of the shareholders, employees, customers and the Group's business associates, which ensure that no one individual dominates the decisions of the Board. The Board considers its current size adequate, given the present scope of work and nature of the Group's business operations and the investment of the minority shareholders is fairly reflected in the Board representation.

Balance in the Board is achieved and maintained where the composition of the members of the Board is professionals and entrepreneurs, with the mix of industrial knowledge, board business and commercial experience. Such balance enables the Board to provide effective leadership in all aspects, as well as maintaining the high standards of governance and integrity in making decisions relating to strategy, performance, internal control, investors' relation and human resource management.

A. DIRECTORS (Cont'd)

Board Meetings

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. The Executive Chairman, with the assistance of the Management and the Company Secretary, is responsible for setting the agenda for Board Meetings.

The Board met six (6) times during the financial year 31 December 2007. The meeting attendance record of the Directors is as follows:

Director	Position	Attendance	%
Goh Eugene	Executive Chairman / Chief Executive Officer	6/6	100
Tan Wee Meng	Chief Operating Officer	6/6	100
Ng Joo How	Independent Non Executive Directors	6/6	100
Lai Teik Kin	Independent Non Executive Directors	6/6	100
Lim Ee Jin (resigned on 31 March 2008)	Non Independent Non Executive Director	6/6	100
Yee Chee Wai, Patrick (appointed on 31 March 2008)	Non Independent Non Executive Director	N/A	N/A

Supply of Information

The Board recognises that the decision making process is highly contingent on the strength of information furnished. As such, Directors have unrestricted access to any information pertaining to the Group.

The Chairman plays a key role in ensuring that all Directors have full and timely access to information with Board papers circulated at least three (3) working days in advance of Board meetings. This ensures that Directors have sufficient time to appreciate issues deliberated at the Board meeting and expedites the decision making process.

Every Director has unhindered access to advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board while the terms of appointment permit her removal and appointment only by the Board as a whole.

The Audit Committee plays a pivotal role in channeling pertinent operational and assurance related issues to the Board. The Committee partly functions as a filter to ensure that only pertinent matters are tabled at the Board level.

Directors' Training

The Board oversees the training needs of its Directors. All Directors have completed the Mandatory Accredited Programme prescribed by the Bursa Malaysia, except for Yee Chee Wai, Patrick who was appointed on 31 March 2008. For the year under review, the Directors had attended relevant seminars and courses in enhancing themselves for the purpose of disposing their duties. The Directors will continue to undergo relevant training programmes to further enhance their skills and knowledge.

A. DIRECTORS (Cont'd)

Appointment of Directors and Re-election

Majority of the Nominating Committee are Independent Directors. The Nomination Committee is responsible for identifying and recommending to the Board suitable nominees for appointment to the Board and Board Committees. A mix of skills and other qualities of the nominees will be considered by the Nominating Committee before recommending any nominees to the Board. The terms of reference of the Committee are set out in pages 20 and 21.

The Articles of Association provide that at least one third of the Board is subject to retirement by rotation at each Annual General Meeting ("AGM"). The Directors to retire in each year are the Directors who have been longest in office since their appointment or re appointment. A retiring Director is eligible for re appointment. This provides an opportunity for shareholders to renew their mandates. The election of each Director is voted on separately. To assist shareholders to renew their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for election are furnished in a separate statement accompanying the Notice of the AGM.

The Nominating Committee met one (1) time during the financial year 31 December 2007. The meeting attendance record of the Nominating Committee members is as follows:

Director	Attendance	%
Ng Joo How	1/1	100
Lai Teik Kin	1/1	100
Lim Ee Jin (resigned on 31 March 2008)	1/1	100
Yee Chee Wai, Patrick (appointed on 31 March 2008)	N/A	N/A

B. DIRECTORS' REMUNERATION

The Board

The Remuneration Committee was established to assist the Board in determining the Executive Directors' remuneration. The remuneration of Non executive Directors should be determined by the Board of Directors as a whole, subject to the shareholders' approval. The present Remuneration Committee comprises all Non Executive Directors and the terms of reference of the Committee are set out in page 21.

The Remuneration Committee met one (1) time during the financial year 31 December 2007. The meeting attendance record of the Remuneration Committee members is as follows:

Director	Attendance	%
Ng Joo How	1/1	100
Lai Teik Kin	1/1	100
Lim Ee Jin (resigned on 31 March 2008)	1/1	100
Yee Chee Wai, Patrick (appointed on 31 March 2008)	N/A	N/A

B. DIRECTORS' REMUNERATION (Cont'd)

The aggregate remuneration of Directors for the financial year ended 31 December 2007 is categorised as follows:

	Executive Directors (RM)	Non-Executive Directors (RM)
Fees		75,225
Salaries and other emoluments	693,987	
	693,987	75,225

Analysis of Remuneration

	No of Directors	
	Executive	Non-Executive
Less than or equal to RM50,000		2
RM301,000 to RM350,000	1	
RM350,001 to RM400,000	1	

C. SHAREHOLDERS

The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving shareholders as clear and complete picture of the Group's performance and position as possible.

The AGM is the principal avenue for the dialogue and interaction with the shareholders. The Group gathers views of, and answers from, both private and institutional shareholders on all issues relevant to the Group at the AGM. At each AGM, the Board presents the progress and performance of the business and encourages shareholders to participate in question and answer session both about the resolutions being proposed and about the Group's operations in general. Executive Directors and, where appropriate, the Chairman of the Audit Committee, are available to response to the shareholders' questions during the meeting. Where appropriate, the Chairman of the Board will undertake to provide the questioner with a written answer to any significant question that cannot be readily answered on the spot.

However, any information that may be regarded as undisclosed material information about the Group will not be given.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a fair and meaningful assessment of the Group's financial performance and prospects to the shareholders, primarily through the annual financial statements, quarterly and half year announcement of results as well as the Chairman's statement and review of operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the accuracy, adequacy and completeness of its financial reporting.

Statement of Internal Control

The Statement on Internal Control furnished on page 16 of the Annual Report provides an overview on the state of internal controls within the Group.

Relationship with Auditors

The Company's external auditors, Messrs Ernst & Young has continued to report to shareholders of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the Auditors highlight to the Audit Committee and Board of Directors on matters that require Board's attention.

The role of the Audit Committee in relation to the external auditors is set out in the Audit Committee Report on page 14 of the Annual Report.

Directors' Responsibility Statement

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of each financial year and of their profit or loss and cashflows for that year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Audit Committee Report

MEMBERSHIP

The present members of the Audit Committee (the "Committee") comprise:

Ng Joo How	Chairman, Independent Non Executive Director
Lai Teik Kin	Independent Non Executive Director
Yee Chee Wai, Patrick (appointed on 31 March 2008)	Non Independent Non Executive Director

MEETINGS

The Committee convened five (5) meetings during the financial year 31 December 2007. Details of the attendance are as follows:

Director	Attendance	%
Ng Joo How	5/5	100
Lai Teik Kin	5/5	100
Lim Ee Jin (resigned on 31 March 2008)	5/5	100
Yee Chee Wai, Patrick (appointed on 31 March 2008)	N/A	N/A

The Chief Executive Officer, other members of the Board, senior management, external auditors and internal auditors attended the meetings upon invitation by the Chairman of the Committee. The Committee met with the external auditors on separate session without the presence of management, whenever deemed necessary.

The meetings were appropriately structured throughout the use of agendas, which were distributed to members with sufficient notification.

Summary of activities

During the financial year ended 31 December 2007, the Committee carried out its duties in accordance with Terms of Reference which included the following:

1. Reviewed the quarterly results and financial statements for recommendation to the Board of Directors;
2. Reviewed and ensured the adequacy of the scope and coverage of the audit plan proposed by the outsourced internal audit function and approved the audit plan for audit execution;
3. Reviewed the internal audit reports, the results and recommendations arising from the reviews conducted by the outsourced internal audit function; and
4. Reviewed of the proposed policies and procedures on Related Party Transactions to ensure compliance with laws and regulations.

Terms of reference

The terms of reference of the Committee are set out in pages 18 to 21.

INTERNAL AUDIT FUNCTION

The Internal Audit Function, which is outsourced to external consultants, assists the Committee in ensuring the adequacy and effectiveness of the internal control system of the Group. The activities of the Internal Audit Function during the financial year ended 31 December 2007 were as follows:

(a) Conducting internal audit reviews in accordance with the internal audit plan approved by the Committee;

(b) Reporting the results of internal audits and making recommendations for improvements to the Committee on a periodic basis; and

(c) Performing follow up visits to ensure that recommendations for improvement to the internal control systems are satisfactorily implemented.

The internal audits conducted did not reveal any weaknesses which would result in material losses, contingencies or uncertainties that would require separate disclosure in the Group's Annual Report.

Statement of Internal Control

Pursuant to paragraph 2.14 (c), Guidance Notes 2 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements for the MESDAQ Market, the Board of Directors is required to make a statement in the annual report on the state of the internal controls of the Group. In this respect, the Board of mTouche Technology Berhad is pleased to present the following Statement on Internal Control prepared in accordance with the Listing Requirements and as guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

BOARD RESPONSIBILITY

The Board is ultimately responsible for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, financial, organisational, operational and compliance controls.

KEY ELEMENTS OF INTERNAL CONTROL

The Group has a number of internal controls in place. The controls include the following:

- Established management structure of the Group with clearly defined lines of responsibilities and appropriate levels of delegation and authority.
- Defined authorisation procedures for major operational and financial functions including sales, purchases, receipts, payment and capital expenditures which are subject to continuous review throughout the year.
- Weekly departmental meetings are held to review, discuss and resolve operational and administrative issues.
- Quarterly senior management meetings are held to monitor key operational and strategic business development together with financial performance of the Group.
- A Group risk management framework has been implemented where key business risks faced by respective countries are continuously being identified, assessed, monitored and managed consistently. This framework ensures that appropriate procedures are put in place to mitigate the exposure of those risks.
- Policies and procedures for key business and financial processes have been continuously reviewed by the directors to promote efficiency and accountability.

INTERNAL AUDIT

The Group outsourced its internal audit function to a professional services firm to provide the Audit Committee and the Board with the assurance they require pertaining to the adequacy and effectiveness of internal control systems. The results of the audits and recommendations for improvement co developed with Management were presented at two of the Audit Committee's quarterly meetings. Although a number of internal control weaknesses were identified during the internal audit review process, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

The internal audit function also includes follow up visits to ensure that recommendations for improvement to the internal control systems are satisfactorily implemented.

ASSURANCE

In view of the Group's current business activities, the Board is of the view that the above monitoring and reporting processes which have been put in place, provide an adequate form of check and balance. Nevertheless, the Board recognises that the system must continuously evolve and improve to support the Group's business activities.

Additional Compliance Information

1) UTILISATION OF PROCEEDS

The Company had completed a private placement exercise on 16 August 2006 and raised approximately RM23 million. As at 31 December 2007, the Company had fully utilised the proceeds raised from the Private Placement.

2) SHARE BUY-BACK

The Company does not have a scheme to buy back its own shares.

3) OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company does not have options, warrants or convertible securities.

4) DEPOSITORY RECEIPTS

The Company did not sponsor any depository receipts programme during the financial year.

5) SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries during the financial year.

6) VARIATION IN RESULTS

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2007 and the unaudited results previously announced by the Company. The Company did not release any profit estimate, forecast or projections for the financial year.

7) PROFIT GUARANTEE

There was no profit guarantee given by the Company during the financial year.

8) MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries that involves the directors and/or major shareholders since the end of the previous financial year, save as disclosed on page 61 and 62 in Note 17 to the financial statements.

9) NON-AUDIT FEES

The amount of non audit fees paid to the external auditors by the Group during the financial year is RM18,000.

10) CORPORATE SOCIAL RESPONSIBILITY

The Company did not undertake any corporate social responsibility activities during the financial year.

11) RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE

At the Extraordinary General Meeting held on 16 November 2007, the Company has obtained a mandate from its shareholders to allow the Group to enter into recurrent related party transactions of a revenue nature. The aggregate value of the recurrent transactions conducted for the year under review between the Company and/or its subsidiaries with the related parties are set out below:

mTouche Group	Transacting Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	Aggregate Value (RM'000)
Inova Venture Pte Ltd ("Inova")	Green Packet Berhad ("GPB")	Distribution of Inova's products and solutions.	OSK Ventures International Berhad, indirect major shareholder of GPB (16.18%) and mTouche(26.95%)	985

The Company will be seeking renewal of the mandate from the shareholders to enter into proposed recurrent related party transactions of revenue nature at the Forthcoming Annual General Meeting of the Company.

Terms of Reference

AUDIT COMMITTEE

PRIMARY PURPOSES

The Audit Committee shall:

1. Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for the Company and all its wholly and majority owned subsidiaries ("Group").
2. Improve the Group's business efficiency, the quality of the accounting function, the system of internal controls and audit function and strengthen the confidence of the public in the Group's reported results.
3. Maintain through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as internal auditors.
4. Enhance the independence of both the external and internal auditors functions through active participation in the audit process.
5. Strengthen the role of the Independent Directors by giving them a greater depth of knowledge as to the operations of the Company and the Group through their participation in the Committee.
6. Act upon the Board of Directors' request to investigate and report on any issues or concerns in regard to the management of the Group.

COMPOSITION

The Audit Committee shall be appointed by the directors from amongst themselves which fulfils the following requirements:

1. The Audit Committee shall be composed of no fewer than three (3) members;
2. All Audit Committee members must be non executive directors, with a majority of them being independent directors;
3. At least one (1) member of the Audit Committee:
   (i) must be a member of the Malaysian Institute of Accountants; or
   (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
      (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1965; or
      (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
   (iii) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").
4. The Chairman of the Audit Committee shall be an independent director; and
5. The alternate director shall not be a member of the Audit Committee.

AUTHORITY

The Audit Committee was formed under Chapter 15, Part C, Rule 15.09 of the Bursa Securities Listing Requirements for MESDAQ Market ("MMLR"). The Audit Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:

(a) have explicit authority to investigate any matter within its terms of reference;

(b) have the resources which are required to perform its duties;

(c) have full and unrestricted access to any information which it requires in the course of performing its duties;

AUDIT COMMITTEE (Cont'd)

AUTHORITY (Cont'd)

(d) have unrestricted access to the Chief Executive Officer and the Chief Financial Officer;

(e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

(f) be able to obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and

(g) be able to convene meetings with the external auditors excluding the attendance of the executive members of the Company, whenever deemed necessary.

FUNCTIONS AND DUTIES

The functions of the Audit Committee are as follows:

1. To review:
   a) with the external auditors:
      i) the external audit plan,
      ii) the evaluation of the system of internal controls; and
      iii) the external audit report.
   b) the assistance given by the Company's employees to the external auditors;
   c) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its works;
   d) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
   e) the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on :

      changes in or implementation of major accounting policy changes;

      significant and unusual events; and

      compliance with accounting standards and other legal requirements;
   f) any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
   g) any letter of resignation from the external auditors of the Company; and
   h) whether there is any reason (supported by grounds) to believe that the external auditors is not suitable for reappointment;
2. To recommend the nomination of a person or persons as external auditors.

RETIREMENT AND RESIGNATION

In the event of any vacancy in the Audit Committee resulting in the non compliance of sub Rule 15.09(1) of the MMLR, the Company shall fill in the vacancy within three (3) months.

MEETINGS

1. The Committee shall meet at least four (4) times in a year or more frequently as circumstances required with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.

AUDIT COMMITTEE (Cont'd)

MEETINGS (Cont'd)

2. Quorum shall be by majority of the members who are Independent Directors.
3. Upon the request of any member of the Committee, the external auditors or the internal auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider matters which should be brought to the attention of the directors or shareholders.
4. The external auditors and internal auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.
5. The Committee may invite any Board member or any member of management or any employee of the Company who the Committee thinks fit to attend its meetings to assist and to provide pertinent information as necessary.
6. The Company must ensure that other directors and employees attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.
7. The Committee shall meet with the external auditors, the internal auditors or both without executive board members present at least twice a year.

PROCEDURES OF AUDIT COMMITTEE

The Audit Committee may regulate its own procedures, in particular:

(a) the calling of meetings;

(b) the notice to be given of such meetings;

(c) the voting and proceedings of such meetings;

(d) the keeping of minutes; and

(e) the custody, production and inspection of such minutes.

SECRETARY

The Company Secretary or other appropriate senior official shall be the Secretary to the Audit Committee.

NOMINATING COMMITTEE

MEMBERS

The Committee shall be appointed by the Board of Directors which shall comprise exclusively of non executive directors, the majority of whom shall be independent directors.

The Board of Directors must review annually the term of office and performance of the Committee and each of its members to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

CHAIRMAN

The Chairman shall be elected by the Committee from among their members.

FUNCTIONS

The Committee shall:

i. recommend to the Board of Directors the nomination of a person or persons to be a Board member(s) by shareholder(s) or Director(s);
ii. recommend to the Board, directors to fill the seats on Board Committees;

NOMINATING COMMITTEE (Cont'd)

FUNCTIONS (Cont'd)

iii. assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each existing individual director and thereafter, recommend its findings to the Board; and

iv. review the required mix of skills and experience and other qualities, including core competencies which non executive directors should bring to the Board and thereafter, recommend its findings to the Board.

STRUCTURES AND PROCEDURES

The Committee should meet regularly, with due notice of issues to be discussed and should record its conclusion in discharging its duties and responsibilities. The quorum shall be two (2) members who shall be the independent directors.

The Committee should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Committee is firmly in its hands.

ACCESS TO ADVICE

The Committee shall have access to independent professional advice on nomination matters both within the Group and from external professionals at the Company's expense.

REMUNERATION COMMITTEE

MEMBERS

The Committee shall be appointed by the Board of Directors and shall consist wholly or mainly non executive directors.

The Board of Directors must review annually the term of office and performance of the Committee and each of its members to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

CHAIRMAN

The Chairman shall be elected by the Committee from among their members.

FUNCTIONS

The Committee shall recommend to the Board, the remuneration packages of Executive Chairman, Managing Directors and Executive Directors of the Company in all its forms, drawing from outside advice as necessary.

The remuneration packages of Non Executive Directors should be determined by the Board of Directors as a whole subject to the shareholders' approval.

STRUCTURES AND PROCEDURES

The Committee should meet regularly, with due notice of issues to be discussed and should record its conclusion in discharging its duties and responsibilities. The quorum shall be two (2) members of Non Executive Directors.

The Committee should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Committee is firmly in its hands.

ACCESS TO ADVICE

The Committee shall have access to independent professional advice on remuneration matters both within the Group and from external professionals at the Company's expense.

Financial Statements

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, research and development of existing and new technologies in the field of information technology and telecommunications, and distribution and sale, installation and service of telecommunications and multimedia systems, and related activities.

The principal activities of the subsidiaries are shown in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities during the year.

RESULTS

	Group RM	Company RM
Loss for the year	(12,521,008)	(1,551,097)
Attributable to:		
Equity holders of the Company	(10,404,622)	(1,551,097)
Minority interests	(2,116,386)	
	(12,521,008)	(1,551,097)

There were no material transfers to or from reserves or provisions during the year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature except for:

(a) the provision made for doubtful debts and bad debts written off of RM3,607,569 and RM4,355,521 respectively as disclosed in Note 7 to the financial statements; and

(b) the effect of impairment of goodwill of RM2,536,853 as disclosed in Note 7 to the financial statements.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous year. The directors do not recommend the payment of dividend for the current year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Goh Eugene (Wu Eugene)

Tan Wee Meng (Chen Weiming)

Lai Teik Kin

Ng Joo How

Yee Chee Wai (appointed on 31 March 2008)

Lim Ee Jin (resigned on 31 March 2008)

DIRECTORS' BENEFITS

Neither at the end of the year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' BENEFITS (Cont'd)

Since the end of the previous year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

DIRECTORS' INTEREST

According to the register of directors' shareholdings, the interests of directors in office at the end of the year in shares in the Company and its related corporations during the year were as follows:

	Number of Ordinary Shares of RM0.10 Each			
	1.1.2007	**Acquired**	**Sold**	**31.12.2007**
The Company				
Direct Interest:				
Goh Eugene (Wu Eugene)	23,686,500		(4,450,000)	19,236,500
Tan Wee Meng (Chen Weiming)	12,425,000	137,100		12,562,100
Ng Joo How	2 ,000			2,000

	Number of Ordinary Shares of USD10 Each			
	1.1.2007	**Acquired**	**Sold**	**31.12.2007**
Subsidiary - PT mTouche				
Direct Interest:				
Goh Eugene (Wu Eugene)	30			30

	Number of Ordinary Shares of THB100 Each			
	1.1.2007	**Acquired**	**Sold**	**31.12.2007**
Subsidiary - mTouche (Thailand) Co Ltd				
Direct Interest:				
Tan Wee Meng (Chen Weiming)	1			1

	Number of Ordinary Shares of INR10 Each			
	1.1.2007	**Acquired**	**Sold**	**31.12.2007**
Subsidiary - mTouche Technology India Private Ltd				
Direct Interest:				
Tan Wee Meng (Chen Weiming)	100			100

Goh Eugene (Wu Eugene), by virtue of his interests in shares in the Company, is also deemed interested in shares in all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the year had any interest in shares in the Company or its related corporations during the year.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

OTHER STATUTORY INFORMATION (Cont'd)

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or to make any provision for doubtful debts inrespect of these financial statements; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the year in which this report is made.

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 14 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 31 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 8 April 2008.

Goh Eugene (Wu Eugene)

Tan Wee Meng (Chen Weiming)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **Goh Eugene** (Wu Eugene) and **Tan Wee Meng** (Chen Weiming), being two of the directors of **mTouche Technology Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 28 to 76 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 8 April 2008.

Goh Eugene (Wu Eugene)

Tan Wee Meng (Chen Weiming)

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Lau Bik Yong**, being an officer primarily responsible for the financial management of **mTouche Technology Berhad,** do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 76 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed **Lau Bik Yong**
at Kuala Lumpur in the Federal Territory
on 8 April 2008

Lau Bik Yong

Before me,

Soh Ah Kau
W315
Commissioner for Oaths

REPORT OF THE AUDITORS

to the members of mTouche Technology Berhad (Incorporate in Malaysia)

We have audited the financial statements set out on pages 28 to 76. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements, and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:

   (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and

   (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

George Koshy
No. 1846/07/09(J)
Partner

Kuala Lumpur, Malaysia
8 April 2008

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Revenue	3	45,198,638	53,330,336	2,522,710	6,419,634
Cost of sales	4	(24,420,651)	(22,067,884)		
Gross profit		20,777,987	31,262,452	2,522,710	6,419,634
Other income	5	2,712,017	251,388	2,460,065	36,586
Administrative expenses		(11,977,016)	(9,183,272)	(1,770,628)	(1,724,914)
Other expenses		(22,053,851)	(5,847,396)	(2,672,020)	(556,188)
Operating (loss)/profit		(10,540,863)	16,483,172	540,127	4,175,118
Finance costs	6	(1,987,130)	(28,140)	(1,972,434)	
Share of results of associates		(749,280)	1,773,815		
Share of results of jointly controlled entity			1,598,671		
Gain on deemed disposal of interest in an associate			4,950,465		
(Loss)/profit before tax	7	(13,277,273)	24,777,983	(1,432,307)	4,175,118
Income tax benefit/(expense)	10	756,265	(295,550)	(118,790)	(10,244)
(Loss)/profit for the year		(12,521,008)	24,482,433	(1,551,097)	4,164,874
Attributable to:					
Equity holders of the Company		(10,404,622)	20,628,536	(1,551,097)	4,164,874
Minority interests		(2,116,386)	3,853,897		
		(12,521,008)	24,482,433	(1,551,097)	4,164,874
(Loss)/earnings per share attributable to equity holders of the Company (sen)	11	(11.47)	24.09		

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS AS AT 31 DECEMBER 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
ASSETS					
Non-current assets					
Plant and equipment	12	2,559,569	2,968,108	4,611	7,402
Intangible assets	13	32,204,182	14,903,593	583,328	933,332
Investments in subsidiaries	14			22,295,965	22,077,137
Investments in associates	15	23,004,764	24,840,657	15,789,510	15,789,510
Investment in jointly controlled entity	16			23,651	23,651
Other investments	17	25,441,411	3,201,892	25,441,411	3,201,892
Deferred tax assets	18	1,435,126	678,697		
		84,645,052	46,592,947	64,138,476	42,032,924
Current assets					
Trade and other receivables	19	19,805,919	37,083,531	34,458,258	33,696,254
Inventories	20	354,261			
Tax recoverable		314,208	28,022		8,998
Cash and bank balances	21	5,886,024	12,707,389	1,603,047	391,311
		26,360,412	49,818,942	36,061,305	34,096,563
TOTAL ASSETS		111,005,464	96,411,889	100,199,781	76,129,487

The accompanying notes form an integral part of the financial statements.

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	22	9,075,000	9,075,000	9,075,000	9,075,000
Share premium		37,631,050	37,631,050	37,631,050	37,631,050
Other reserves	23	(2,802,368)	(1,316,347)		
Retained earnings	24	22,832,748	33,237,370	21,586,847	23,137,944
		66,736,430	78,627,073	68,292,897	69,843,994
Minority interests		2,214,450	4,314,892		
Total equity		68,950,880	82,941,965	68,292,897	69,843,994
Non-current liabilities					
Borrowings	25	153,225	231,820		
Deferred tax liabilities	18	41,337	79,048		
		194,562	310,868		
Current liabilities					
Borrowings	25	13,084,733	104,681	13,006,138	
Trade and other payables	27	28,686,757	12,875,832	18,846,946	6,285,493
Income tax payable		88,532	178,543	53,800	
		41,860,022	13,159,056	31,906,884	6,285,493
Total liabilities		42,054,584	13,469,924	31,906,884	6,285,493
TOTAL EQUITY AND LIABILITIES		111,005,464	96,411,889	100,199,781	76,129,487

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

		<-- Attributable to Equity Holders of the Company -->						
			<- Non-Distributable ->		Distributable			
	Note	Share Capital (Note 22)	Share Premium	Other Reserves (Note 23)	Retained Earnings (Note 24)	Total	Minority Interests	Total Equity
		RM	RM	RM	RM	RM	RM	RM
At 1 January 2006		8,250,000	17,056,360	46,909	12,608,834	37,962,103	-	37,962,103
Acquisitions of subsidiaries		-	-	-	-	-	460,995	460,995
Gain on deemed disposa of interest in an associate	23	-	-	53,585	-	53,585	-	53,585
Foreign currency trans ation	23	-	-	95,374	-	95,374	-	95,374
Share of post acquistion reserves of an associate	23	-	-	(1,512,215)	-	(1,512,215)	-	(1,512,215)
Net income and expense recognised direct y in equity		8,250,000	17,056,360	(1,316,347)	12,608,834	36,598,847	460,995	37,059,842
Profit for the year		-	-	-	20,628,536	20,628,536	3,853,897	24,482,433
Tota recognised income and expense for the year		8,250,000	17,056,360	(1,316,347)	33,237,370	57,227,383	4,314,892	61,542,275
ssue of ordinary shares	22	825,000	21,862,500	-	-	22,687,500	-	22,687,500
Expenses re ating to share issue	22	-	(1,287,810)	-	-	(1,287,810)	-	(1,287,810)
At 31 December 2006		9,075,000	37,631,050	(1,316,347)	33,237,370	78,627,073	4,314,892	82,941,965

The accompanying notes form an integra part of the financia statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2007

		<-- Attributable to Equity Holders of the Company -->						
			<- Non-Distributable ->		Distributable			
	Note	Share Capital (Note 22)	Share Premium	Other Reserves (Note 23)	Retained Earnings (Note 24)	Total	Minority Interests	Total Equity
		RM	RM	RM	RM	RM	RM	RM
At 1 January 2007		9,075,000	37,631,050	(1,316,347)	33,237,370	78,627,073	4,314,892	82,941,965
Acquisition of a subsidiary	14	-	-	-	-	-	15,944	15,944
Foreign currency trans ation	23	-	-	(399,408)	-	(399,408)	-	(399,408)
Share of post acquistion reserves of an associate	23	-	-	(1,086,613)	-	(1,086,613)	-	(1,086,613)
Net income and expense recognised direct y in equity		9,075,000	37,631,050	(2,802,368)	33,237,370	77,141,052	4,330,836	81,471,888
Loss for the year		-	-	-	(10,404,622)	(10,404,622)	(2,116,386)	(12,521,008)
At 31 December 2007		9,075,000	37,631,050	(2,802,368)	22,832,748	66,736,430	2,214,450	68,950,880

The accompanying notes form an integra part of the financia statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Share Capital (Note 22) RM	Non-Distributable Share Premium RM	Distributable Retained Earnings (Note 24) RM	Total Equity RM
At 1 January 2006		8,250,000	17,056,360	18,973,070	44,279,430
Issue of ordinary shares	22	825,000	21,862,500		22,687,500
Expenses relating to share issue	22		(1,287,810)		(1,287,810)
Profit for the year, representing total recognised income and expense for the year				4,164,874	4,164,874
At 31 December 2006		9 ,075,000	37,631,050	23,137,944	69,843,994
At 1 January 2007		9,075,000	37,631,050	23,137,944	69,843,994
Loss for the year, representing total recognised income and expense for the year				(1,551,097)	(1,551,097)
At 31 December 2007		9,075,000	37,631,050	21,586,847	68,292,897

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 RM	2006 RM
Cash Flows From Operating Activities		
(Loss)/profit before tax	(13,277,273)	24,777,983
Adjustments for:		
Interest income	(2,335,686)	(56,132)
Dividend income	(36,000)	
Interest expense	1,987,130	28,140
Amortisation of intangible assets	2,567,657	596,940
Depreciation of plant and equipment	992,092	706,643
Impairment of goodwill	2,536,853	
Plant and equipment written off	276,362	19,281
Provision for doubtful debts	3,607,569	597,462
Bad debts written off	4,355,521	
Short term accumulating compensated absences	(18,962)	(15,546)
Unrealised foreign exchange loss	1,164,202	
Share of results of associates	749,280	(1,773,815)
Share of results of jointly controlled entity		(1,598,671)
Gain on deemed disposal of interest in an associate		(4,950,465)
Operating profit before working capital changes	2,568,745	18,331,820
Decrease/(increase) in receivables	10,966,528	(4,525,729)
Increase in inventories	(354,261)	
(Decrease)/increase in payables	1,359,535	(5,130,123)
Cash generated from operations	14,540,547	8,675,968
Taxes paid	(414,072)	(281,315)
Net cash generated from operating activities	14,126,475	8,394,653
Cash Flows From Investing Activities		
Acquisitions of subsidiaries (Note 14)	(89,328)	(11,487,708)
Cost of investments in associates	(1,320,000)	(14,469,510)
Cost of investment in a jointly controlled entity		(23,500)
Purchase of other investments	(16,265,206)	(3,201,892)
Purchase of plant and equipment	(866,076)	(733,986)
Acquisition of intangible assets	(15,293,608)	
Interest received	87,951	56,132
Dividend received	36,000	
Net cash used in investing activities	(33,710,267)	(29,860,464)
Cash Flows From Financing Activities		
Proceeds from issuance of shares		22,687,500
Expenses relating to share issue		(1,287,810)
Repayment of hire purchase and finance lease liabilities	(104,681)	(186,560)
Interests paid	(139,030)	(28,140)
Net cash (used in)/generated from financing activities	(243,711)	21,184,990
Net decrease in cash and cash equivalents	(19,827,503)	(280,821)
Cash and cash equivalents at beginning of year	12,707,389	12,988,210
Cash and cash equivalents at end of year (Note 21)	(7,120,114)	12,707,389

The accompanying notes form an integral part of the financial statements.

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 RM	2006 RM
Cash Flows From Operating Activities		
(Loss)/profit before tax	(1,432,307)	4,175,118
Adjustments for:		
Interest income	(2,288,065)	(36,586)
Dividend income	(36,000)	
Interest expense	1,972,434	
Amortisation of intangible assets	350,004	116,668
Depreciation of plant and equipment	2,791	2,791
Write off of cost of investment in a subsidiary	27,692	
Short term accumulating compensated absences	2,481	(4,252)
Unrealised foreign exchange loss	766,333	
Operating (loss)/profit before working capital changes	(634,637)	4,253,739
Decrease/(increase) in receivables	1,399,808	(4,555,307)
Increase/(decrease) in payables	5,376,149	(2,393,198)
Cash generated from/(used in) operations	6,141,320	(2,694,766)
Taxes paid	(55,992)	(17,950)
Net cash generated from/(used in) operating activities	6,085,328	(2,712,716)
Cash Flows From Investing Activities		
Cost of investments in subsidiaries	(246,520)	(12,541,796)
Cost of investments in associates	(1,320,000)	(14,469,510)
Cost of investment in a jointly controlled entity		(23,500)
Purchase of other investments	(16,265,206)	(3,201,892)
Interest received	40,330	36,586
Dividend received	36,000	
Net cash used in investing activities	(17,755,396)	(30,200,112)
Cash Flows From Financing Activities		
Proceeds from issuance of shares		22,687,500
Expenses relating to share issue		(1,287,810)
Interest paid	(124,334)	
Net cash (used in)/generated from financing activities	(124,334)	21,399,690
Net decrease in cash and cash equivalents	(11,794,402)	(11,513,138)
Cash and cash equivalents at beginning of year	391,311	11,904,449
Cash and cash equivalents at end of year (Note 21)	(11,403,091)	391,311

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the MESDAQ of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 312, 3rd Floor, Kelana Square, Jalan SS7/26, Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are investment holding, research and development of existing and new technologies in the field of information technology and telecommunications, and distribution and sale, installation and service of telecommunications and multimedia systems, and related activities. The principal activities of the subsidiaries are as shown in Note 14.

There have been no significant changes in the nature of the principal activities during the year.

Related companies are companies within the mTouche Technology Berhad Group.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 April 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. The financial statements of the Group and of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia (RM).

The Group as at 31 December 2007, has net current liabilities of RM15,499,610 which was subsequently reversed upon receipt of the net proceeds amounting to RM35,311,270 arising from the issuance of new ordinary shares as disclosed in Note 31(a).

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

2.2 Summary of Significant Accounting Policies (Cont'd)

(a) Subsidiaries and Basis of Consolidation (Cont'd)

(ii) Basis of Consolidation (Cont'd)

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Jointly Controlled Entities

The Group has interest in a joint venture which is jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

2.2 **Summary of Significant Accounting Policies** (Cont'd)

(c) Jointly Controlled Entities (Cont'd)

Investment in jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2(b).

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(d) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Intellectual Property

Intellectual property comprises telecommunication software acquired and is considered to have a finite useful life due to the technological risks and advancement inherent in the industry. Intellectual property of the Group is amortised on a straight line basis over its useful life at an annual rate of 10%.

Software License

The Group has developed the following criteria to identify computer software license to be classified as plant and equipment or intangible asset:

software license that is embedded in computer controlled equipment, including operating system that cannot operate without that specific software is an integral part of the related hardware and is treated as plant and equipment;

application software that is being used on a computer is generally easily replaced and is not an integral part of the related hardware and is classified as intangible asset.

Due to the risk of technological changes, the useful life of all software license are generally assessed as finite. The software license classified as intangible asset is amortised over its useful life at an annual rate of 10%.

2.2 Summary of Significant Accounting Policies (Cont'd)

(d) Intangible Assets (Cont'd)

(ii) Other Intangible Assets *(Cont'd)*

Research and Development Costs

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight line basis over the commercial lives of the underlying products range between 5 to 10 years.

(e) Plant and Equipment, and Depreciation

All items of plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Computers	33%
Furniture and fittings	20%
Office equipment	33%
Renovation	20%
Motor vehicle	20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(f) Impairment of Non-Financial Assets

The carrying amounts of the Group's assets, other than deferred tax assets and inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

2.2 Summary of Significant Accounting Policies (Cont'd)

(f) Impairment of Non-Financial Assets (Cont'd)

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(g) Inventories

Inventories are stated at lower of cost of net realisable value.

Cost is determined using the first in, first out method. The cost of merchandise comprise costs of purchase and other direct costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

2.2 **Summary of Significant Accounting Policies** (Cont'd)

(h) **Financial Instruments** (Cont'd)

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call which have an insignificant risk of changes in value, including deposits held on lien as security for bank facilities granted to the Group, net of outstanding bank overdrafts.

(ii) Other Non-Current Investments

Non current investments other than investments in subsidiaries, associates and jointly controlled entities are carried at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(iii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

(iv) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(vi) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(i) **Leases**

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Finance Leases - the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

2.2 Summary of Significant Accounting Policies (Cont'd)

(i) Leases (Cont'd)

(ii) Finance Leases - the Group as Lessee *(Cont'd)*

The depreciation policy for lease assets is in accordance with that for depreciable plant and equipment as described in Note 2.2(e).

(iii) Operating leases - the Group as Lessee

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

(j) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred taxation is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statement. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(l) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when the absences occur.

2.2 **Summary of Significant Accounting Policies** (Cont'd)

(l) Employee Benefits (Cont'd)

(ii) Defined Contribution Plans

Defined contribution plans are post employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(m) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

Where the Group has a monetary item that forms part of its net investment in a foreign operation, the exchange differences arising from such monetary items are recognised in equity in the consolidated financial statements, irrespective of the currency of the monetary item. Prior to the adoption of the amendment to FRS 121, exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation are recognised in equity in the consolidated financial statements only when that monetary item is denominated either in the functional currency of the reporting entity or the foreign operation.

Exchange differences arising on the translation of non monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non monetary items are also recognised directly in equity.

2.2 **Summary of Significant Accounting Policies** (Cont'd)

(m) Foreign Currencies (Cont'd)

(ii) Foreign Currency Transactions (Cont'd)

The closing rates as at the balance sheet date are as follows:

	2007 RM	2006 RM
1 Australian dollar ("AUD")	2.9152	2.7936
1 Chinese renminbi ("CNY")	0.4527	0.4523
100 Hong Kong dollar ("HKD")	42.3845	45.4288
1 Indian rupee ("INR")	0.0841	0.0801
100 Indonesian rupiah ("IDR")	0.0352	0.0393
1 Singapore dollar ("SGD")	2.2938	2.3028
100 Thai baht ("THB")	9.8159	9.8111
1 UK pound ("GBP")	6.6070	6.9315
1 US dollar ("USD")	3.3065	3.5315
100 Vietnamese dong ("VND")	0.0207	0.0220

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

(n) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Revenue from Provision of Services

Revenue from provision of services is recognised net of service taxes and discount as and when the services are performed.

(ii) Fee Income

Fee income are recognised in the income statement on an accrual basis when services are rendered.

(iii) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

2.2 Summary of Significant Accounting Policies (Cont'd)

(n) Revenue Recognition (Cont'd)

(iv) Sale of Goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(v) Dividend Income

Dividend income is recognised when the Group's right to receive payment is established.

2.3 Adoption of Financial Reporting Standards ("FRSs") for the Financial Year

The Group has adopted the following new, revised and amendment to FRS mandatory for the annual periods beginning on or after 1 January 2007:

FRS 6	Exploration for and Evaluation of Mineral Resources
RS 117	Leases
Amendment to FRS 119_{2004}	Employee Benefits Actuarial Gains and Losses, Group Plans and Disclosures
FRS 124	Related Party Disclosures

In addition, the Group has early adopted the Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates Net Investment in a Foreign Operation, for the year beginning 1 January 2007. The changes in accounting policies have been reflected in Note 2.2(m)(ii).

The adoption of the new, revised and amendments to FRSs did not have a significant financial impact on the Group and the Company. However, the adoption of the revised FRS 124 give rise to additional disclosures but did not result in significant changes in accounting policies of the Group and the Company.

At the date of authorisation of these financial statements, the following new and revised FRSs and Interpretations were issued but not yet effective and have not been applied by the Group:

FRSs and Interpretations		**Effective for financial period beginning on or after**
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139	Financial Instruments: Recognition and Measurement	Deferred
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommisioning, Restoration and Environmental Rehabilitation Funds	1 July 2007

2.3 Adoption of Financial Reporting Standards ("FRSs") for the Financial Year (Cont'd)

FRSs and Interpretations		**Effective for financial period beginning on or after**
IC Interpretation 6	Liabilities arising from Participating in a Specific Market Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129: Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139. The revised FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application.

2.4 Changes in Estimates

Intellectual property comprises telecommunication software and is assessed to have a finite useful life. The amortisation period and method are reviewed at least at each balance sheet date. Based on management's review on the level of usage and technological developments of the Group's intellectual property, the estimated useful life of intellectual property is revised from 20 years to 10 years with effect from 1 January 2007.

The revision has been accounted for prospectively as a change in accounting estimates and as a result, the amortisation charge of the Group for the current financial year has increased by RM550,000. The change in estimate has no effect to the Company's financial statements.

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements made in Applying Accounting Policies

There were no significant judgements made in applying the accounting policies of the Group which may have significant effects of the amounts recognised in the financial statements.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units ("CGU") to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(i) Goodwill in investment in subsidiaries

In performing the discounted cash flow analysis, a period of five years is used for the CGU. The expected cash flow for the following year is based on management's approved budget, whilst the growth rates used to extrapolate the cash flows beyond the following year is 5%. The pretax discount rates applied to the cash flow projection is 12.5%.

The carrying amount of goodwill as at 31 December 2007 was RM1,644,192 (2006: RM2,924,009). Further details on the allocation of goodwill to the respective CGU are disclosed in Note 13.

2.5 Significant Accounting Estimates and Judgements (Cont'd)

(b) Key Sources of Estimation Uncertainty (Cont'd)

(ii) Goodwill in investment in associate

In performing the discounted cash flow analysis, a period of ten years is used for the CGU to reflect the maturity of the business development cycle as well as the industry growth potential. The discount rate applied to the cash flow projection is a pretax rate of 15%. The growth rates used to forecast the projected cash flows for the following year approximate the performances of the investment based on the latest available management accounts. The growth rates used to extrapolate the cash flows beyond the following year reflect a progressive decline to a rate lower than industry average.

The carrying amount of goodwill as at 31 December 2007 was RM4,483,933 (2006: RM4,483,933) as disclosed in Note 15.

Impairment of investments in jointly controlled entity and other investments

These investments by the Group are made for long term business strategic alliances where the Grou garners the existing expertise of these specific investments to strengthen its position in the market.

At balance sheet date, management determines whether the carrying amounts of these investments are impaired. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include the use of current market indicators and recent arms length market transactions. These estimates provide reasonable approximations to the computation of recoverable amounts.

Based on management's review, these investments of the Group are not impaired as at balance sheet date.

Deferred Tax Asset

Deferred tax asset are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was approximately RM1,381,476 (2006: RM655,947).

3. REVENUE

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Rendering of services	28,380,845	37,554,728		1,000,000
Sales of goods	16,817,793	15,775,608		
Licensing fees			2,298,715	4,976,332
Management fees			223,995	443,302
	45,198,638	53,330,336	2,522,710	6,419,634

4. COST OF SALES

Included in cost of sales is costs of goods sold amounted to RM11,504,543 (2006: RM2,408,680).

5. OTHER INCOME

Included in other income are:

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Interest income on:				
deposits	87,951	56,132	40,330	36,586
other investment	2,247,735		2,247,735	
Dividend income	36,000		36,000	

6. FINANCE COSTS

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Interest expense on:				
hire purchase and finance lease liabilities	14,696	28,140		
amount due to a director	1,848,100		1,848,100	
bank overdrafts	124,334		124,334	
	1,987,130	28,140	1,972,434	

7. (LOSS)/PROFIT BEFORE TAX

The following amount have been included in arriving at (loss)/profit before tax:

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Employee benefits expense (Note 8)	7,863,437	7,004,822	1,579,825	1,507,543
Non executive directors' remuneration (Note 9)	82,913	143,697	75,225	70,000
Auditors' remuneration:				
statutory audits	163,968	140,014	50,000	43,000
other services	18,000	4,260	18,000	3,000
Operating lease, minimum lease payments for offices	1,047,535	783,964	20,970	20,970
Depreciation of plant and equipment (Note 12)	992,092	706,643	2,791	2,791
Amortisation of intangible assets (Note 13)	2,567,657	596,940	350,004	116,668
Impairment of goodwill (Note 13)	2,536,853			
Provision for doubtful debts	3,607,569	597,462		
Bad debts written off	4,355,521			
Write off of cost of investment in a subsidiary			27,692	
Plant and equipment written off	276,362	19,281		
Net foreign exchange:				
realised (gain)/loss	(218,065)	195,796	(400,048)	
unrealised loss	1,164,202		766,333	

8. EMPLOYEE ENEFITS EXPENSE

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Wages and salaries	6,597,461	6,216,928	1,350,528	1,279,939
Social security contributions	72,106	38,459	16,999	17,556
Contributions to defined contribution plan	740,777	439,353	161,474	159,836
Short term accumulating compensated absences	(18,962)	(15,546)	2,481	(4,252)
Other benefits	472,055	325,628	48,343	54,464
	7,863,437	7,004,822	1,579,825	1,507,543

Included in employee benefits expenses of the Group are executive directors' remuneration amounting to RM1,886,953 (2006: RM1,529,296) as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Directors of the Company				
Executive director remuneration:				
Salaries and other emoluments	655,871	705,387		
Contributions to defined contribution plan	38,116	35,123		
	693,987	740,510		
Non executive directors' fees	75,225	70,000	75,225	70,000
	769,212	810,510	75,225	70,000
Directors of the Subsidiaries				
Executive director remuneration:				
Salaries and other emoluments	1,057,178	708,666		
Contributions to defined contribution plan	115,788	60,120		
Fees	20,000	20,000		
Estimated money value of benefits in kind		27,575		
	1,192,966	816,361		
Non executive directors' fees	7,688	73,697		
	1,200,654	890,058		
Total directors' remuneration including benefits in kind	1,969,866	1,700,568	75,225	70,000
Analysis of remuneration excluding benefits-in-kind:				
Total executive directors' remuneration (Note 8)	1,886,953	1,529,296		
Total non executive directors' remuneration (Note 7)	82,913	143,697	75,225	70,000
Total directors' remuneration excluding benefits in kind	1,969,866	1,672,993	75,225	70,000

9. DIRECTORS' REMUNERATION (Cont'd)

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors 2007	2006
Executive directors:		
RM300,001 RM350,000	1	1
RM350,001 RM400,000	1	1
Non executive directors:		
Less than RM50,000	2	2

10. INCOME TAX (BENEFIT)/EXPENSE

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Current income tax:				
Malaysian income tax	89,468	164,990	118,790	10,244
Foreign tax	126,268	138,786		
	215,736	303,776	118,790	10,244
Overprovision in prior years:				
Malaysian income tax	(120,183)			
	95,553	303,776	118,790	10,244
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	(1,057,253)	(13,836)		
Relating to changes in tax rate	66,576	5,610		
Underprovision in prior years	138,859			
	(851,818)	(8,226)		
Total income tax (benefit)/ expense	(756,265)	295,550	118,790	10,244

Subsidiaries which are Malaysian companies with paid up share capital of less than RM2.5 million have applied income tax rate of 20% on the first RM500,000 and of 27% on the excess of RM500,000. Taxation of subsidiaries in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Income tax expense of the Company is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31 December 2007 has reflected these changes.

As the Company has been granted Multimedia Super Corridor ("MSC") status for 5 years with effect from 1 July 2004 and the incentive awarded to the Company is Pioneer Status under Section 4A of the Promotion of Investments Act, 1986, its income from MSC qualifying services is exempted from tax. The provision for income tax made by the Company in the year is in respect of interest income.

10. INCOME TAX (BENEFIT)/EXPENSE (Cont'd)

A reconciliation of income tax (benefit)/expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax (benefit)/expense at the effective income tax rate of the Group and of the Company is as follows:

	2007 RM	2006 RM
Group		
(Loss)/profit before tax	(13,277,273)	24,777,983
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	(3,584,864)	6,937,835
Different tax rates in other countries	569,597	(122,020)
Effect on changes in tax rate on opening balance of deferred tax	948	5,610
Deferred tax recognised at different tax rates	65,628	
Income not subject to tax	(539,907)	(6,869,280)
Expenses not deductible for tax purposes	1,578,450	472,898
Utilisation of previously unrecognised tax losses	(599,998)	(675,064)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	1,735,205	545,571
Overprovision of tax expense in prior years	(120,183)	
Underprovision of deferred tax in prior years	138,859	
Tax (benefit)/expense for the year	(756,265)	295,550
Company		
(Loss)/profit before tax	(1,432,307)	4,175,118
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	(386,723)	1,169,033
Income not subject to tax	(9,720)	(1,158,789)
Expenses not deductible for tax purposes	515,233	
Tax expense for the year	118,790	10,244

Tax savings during the year arising from:

	Group	
	2007 RM	2006 RM
Utilisation of current year tax losses	2,715	
Utilisation of previously unrecognised tax losses	597,283	675,064

11. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing (loss)/profit for the year by the weighted average number of ordinary shares in issue during the year.

	Group	
	2007 RM	2006 RM
(Loss)/profit attributable to equity holders of the Company (RM)	(10,404,622)	20,628,536
Weighted average number of ordinary shares in issue (No.)	90,750,000	85,619,178
Basic (loss)/earnings per share (sen)	(11.47)	24.09

The Group has no potential dilutive ordinary shares and hence diluted (loss)/earnings per share is notpresented in the financial statements.

The increase in share capital subsequent to year end as disclosed in Note 31(a) would have changed the number of ordinary shares in issue if the transaction had occurred before the end the balance sheet date.

12. PLANT AND EQUIPMENT

	Computers RM	Furniture and Fittings RM	Office Equipment RM	Renovation RM	Motor Vehicle RM	Total RM
Group						
Cost						
At 1 January 2007	2,007,707	255,020	1,183,517	387,156	451,126	4,284,526
Additions	351,468	6,249	504,637	3,722		866,076
Written off	(99,751)	(11,629)	(231,946)			(343,326)
Acquisition of a subsidiary (Note 14)	100,304					100,304
Exchange differences	(27,656)	(2,779)	(49,959)	(7,635)		(88,029)
At 31 December 2007	2,332,072	246,861	1,406,249	383,243	451,126	4,819,551
Accumulated depreciation						
At 1 January 2007	721,045	85,098	303,399	94,094	112,782	1,316,418
Depreciation charge for the year (Note 7)	558,427	53,244	207,894	82,301	90,226	992,092
Written off	(32,770)	(2,967)	(31,227)			(66,964)
Acquisition of a subsidiary (Note 14)	38,155					38,155
Exchange differences	(12,381)	(905)	(5,911)	(522)		(19,719)
At 31 December 2007	1,272,476	134,470	474,155	175,873	203,008	2,259,982
Net carrying amount						
At 31 December 2007	1,059,596	112,391	932,094	207,370	248,118	2,559,569

12. PLANT AND EQUIPMENT (Cont'd)

	Computers RM	Furniture and Fittings RM	Office Equipment RM	Renovation RM	Motor Vehicle RM	Total RM
Group						
Cost						
At 1 January 2006	1,515,070	177,414	154,153	211,037	451,126	2,508,800
Additions	357,598	48,532	160,669	167,187		733,986
Written off	(24,031)		(4,225)	(17,296)		(45,552)
Acquisition of subsidiary	142,800	28,128	892,999	25,425		1,089,352
Exchange differences	16,270	946	(20,079)	803		(2,060)
At 31 December 2006	2,007,707	255,020	1,183,517	387,156	451,126	4,284,526
Accumulated depreciation						
At 1 January 2006	262,621	31,046	53,170	25,986	22,556	395,379
Depreciation charge for the year (Note 7)	432,408	43,875	82,978	57,156	90,226	706,643
Written off	(17,224)		(3,424)	(5,623)		(26,271)
Acquisition of subsidiary	46,596	10,242	170,437	16,219		243,494
Exchange differences	(3,356)	(65)	238	356		(2,827)
At 31 December 2006	721,045	85,098	303,399	94,094	112,782	1,316,418
Net carrying amount						
At 31 December 2006	1,286,662	169,922	880,118	293,062	338,344	2,968,108

12. PLANT AND EQUIPMENT (Cont'd)

	Office Equipment RM	Renovation RM	Total RM
Company			
Cost			
At 1 January 2007/31 December 2007	3,900	7,456	11,356
Accumulated depreciation			
At 1 January 2007	1,842	2,112	3,954
Depreciation charge for the year (Note 7)	1,300	1,491	2,791
At 31 December 2007	3,142	3,603	6,745
Net carrying amount			
At 31 December 2007	758	3,853	4,611
Cost			
At 1 January 2006/31 December 2006	3,900	7,456	11,356
Accumulated depreciation			
At 1 January 2006	542	621	1,163
Depreciation charge for the year (Note 7)	1,300	1,491	2,791
At 31 December 2006	1,842	2,112	3,954
Net carrying amount			
At 31 December 2006	2,058	5,344	7,402

The net carrying amount of plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group	
	2007 RM	**2006** RM
Computers		110,218
Motor vehicle	248,118	338,344
	248,118	448,562

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 26.

13. INTANGIBLE ASSETS

	Goodwill RM	Intellectual Property RM	Software License RM	Development Cost RM	Total RM
Group					
Cost					
At 1 January 2007	2,924,009	11,526,524	1,050,000		15,500,533
Additions		13,676,112	6,679,500	771,966	21,127,578
Acquisitions of subsidiaries (Note 14)	1,257,036				1,257,036
Exchange differences		(185,274)	201,900		16,626
At 31 December 2007	4,181,045	25,017,362	7,931,400	771,966	37,901,773
Accumulated amortisation and impairment					
At 1 January 2007		480,272	116,668		596,940
Amortisation (Note 7)		1,704,360	863,297		2,567,657
Impairment (Note 7)	2,536,853				2,536,853
Exchange differences		(6,672)	2,813		(3,859)
At 31 December 2007	2,536,853	2,177,960	982,778		5,697,591
Net carrying amount					
At 31 December 2007	1,644,192	22,839,402	6,948,622	771,966	32,204,182
Cost					
At 1 January 2006	387,156				387,156
Additions			1,050,000		1,050,000
Acquisitions of subsidiaries	2,536,853	11,526,524			14,063,377
At 31 December 2006	2,924,009	11,526,524	1,050,000		15,500,533
Accumulated amortisation and impairment					
At 1 January 2006					
Amortisation (Note 7)		480,272	116,668		596,940
At 31 December 2006		480,272	116,668		596,940
Net carrying amount					
At 31 December 2006	2,924,009	11,046,252	933,332		14,903,593

13. INTANGIBLE ASSETS (Cont'd)

	Software License RM
Company	
Cost	
At 1 January 2007/31 December 2007	1,050,000
Accumulated amortisation and impairment	
At 1 January 2007	116,668
Amortisation (Note 7)	350,004
At 31 December 2007	466,672
Net carrying amount	
At 31 December 2007	583,328
Cost	
At 1 January 2006	
Addition	1,050,000
At 31 December 2006	1,050,000
Accumulated amortisation and impairment	
At 1 January 2006	
Amortisation (Note 7)	116,668
At 31 December 2006	116,668
Net carrying amount	
At 31 December 2006	933,332

Impairment Tests for Goodwill

The allocation of goodwill to the Group's CGUs identified according to country of operation are as follows:

	Total RM
At 31 December 2007	
Goodwill allocated to:	
Hong Kong	387,156
Singapore	1,117,022
Vietnam	140,014
	1,644,192
At 31 December 2006	
Goodwill allocated to Hong Kong	387,156
Unallocated	2,536,853
	2,924,009

The provisional goodwill of RM2,536,853 arose from the acquisition of interests in Rayson Management Limited ("Rayson") in the prior year, which was not allocated to any CGU as at 31 December 2006. This was written off in current year due to the changes in estimation of expected future cash flows from the subsidiary.

14. INVESTMENTS IN SUBSIDIARIES

	Company 2007 RM	Company 2006 RM
Unquoted shares, at cost	22,295,965	22,077,137

The principal activities of the subsidiaries are the provision of mobile messaging technology services, other than as separately disclosed below.

The details of the subsidiaries are as follows:

Name of Subsidiaries	Share Capital	Country of Incorporation	Equity Interest Held 2007 %	Equity Interest Held 2006 %
Held by the Company:				
Mobile Touchetek Sdn Bhd	RM3,500,000	Malaysia	100	100
mTouche Pte Ltd *	SGD100,000	Singapore	100	100
PT mTouche *	IDR254,490,000	Republic of Indonesia	99	99
mTouche (Thailand) Co Ltd *	THB1,000,000	Thailand	99.94	99.94
mTouche (HK) Ltd *	HKD2,000,000	Hong Kong	100	100
mTouche (Australia) Pty Ltd *	AUD10,000	Australia	100	100
mTouche (Vietnam) Co Ltd*	VND1,606,376,399	Vietnam	100	100
mTouche Technology India Private Ltd*	INR100,000	India	100	100
Inova Venture Pte Ltd * [1]	SGD100,000	Singapore	51	51
mBit Pte Ltd* [4]	SGD500	Singapore	59	
Held through Subsidiaries:				
MTHK Technology Limited *	CNY2,337,135	Republic of China	100	100
Smartcom Global Pte Ltd* [1]	SGD410,000	Singapore	70	70
Brillante Novastella Sdn Bhd [2]	RM2	Malaysia	51	51
Rayson Management Limited * [3]	USD50,000	British Virgin Islands	70	70
Teleglobal Network Limited* [1]	HKD10,000	Hong Kong	100	
mBox Joint Stock Company* [1]	VND720,000,000	Vietnam	37.50[#]	
Telesmart Communication Sdn Bhd [2]	RM2	Malaysia	100	
Nastech Limited* [4]	HKD100,000	Hong Kong	100	
Mobile Fusion Pte Ltd* [5]	SGD100,000	Singapore	100	

* Audited by firms other than Ernst & Young, Malaysia
\# The Group has effective control over the financial and operating policies by way of majority representation on the board of directors of the subsidiary.
1 Principally involved in the provision of support services to telecommunication general importers and exporter
2 Principally involved in the provision of information technology consultancy and supporting services to the telecommunication industry
3 Investment holding company
4 Software development
5 Data communication services

14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Acquisitions of Subsidiaries

On 1 September 2007, the Group, through mTouche (Vietnam) Co Ltd, acquired 37.5% equity interest in mBox Joint Stock Company ("mBox"), a company incorporated in Vietnam, for a total consideration of RM149,580 (equivalent to VND720,000,000), satisfied by way of cash.

On 3 October 2007, the Group, through mTouche Pte Ltd, acquired 100% equity interest in Nastech Limited ("Nastech"), a company incorporated in Hong Kong, for a total consideration of RM1, satisfied by way of cash. The share capital of Nastech was subsequently increased to RM43,725 (equivalent to HKD100,000).

On 8 October 2007, the Group, through Nastech, acquired 100% equity interest in Mobile Fusion Pte Ltd ("Mobile Fusion"), a company incorporated in Singapore, for a total consideration of RM2, satisfied by way of cash. The share capital of Mobile Fusion was subsequently increased to RM223,402 (equivalent to SGD100,000).

The acquired subsidiaries have contributed the following results to the Group:

	mBox RM	Nastech RM	Mobile Fusion RM	Total RM
Revenue	217,960		534,042	752,002
Loss for the year	(92,701)	(7,576)	(1,055,410)	(1,155,687)
Attributable to:				
Equity holders of the Company	(34,763)	(7,576)	(1,055,410)	(1,097,749)
Minority interests	(57,938)			(57,938)
	(92,701)	(7,576)	(1,055,410)	(1,155,687)

If all the acquisitions had occurred on 1 January 2007, the Group's revenue and loss for the year would have been RM45,541,098 and RM14,075,430 respectively.

The assets and liabilities arising from the acquisitions are follows:

	mBox RM	Nastech RM	Mobile Fusion RM	Total RM
Plant and equipment (Note 12)	62,149			62,149
Trade and other receivables	239,646			239,646
Cash and bank balances	60,252	1	2	60,255
Trade and other payables	(336,537)		(1,117,022)	(1,453,559)
Fair value of net assets/(liabilities) acquired	25,510	1	(1,117,020)	(1,091,509)
Less: Minority interests	(15,944)			(15,944)
Group's share of net assets	9,566	1	(1,117,020)	(1,107,453)
Goodwill on acquisitions (Note 13)	140,014		1,117,022	1,257,036
Total costs of acquisitions	149,580	1	2	149,583

14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Acquisitions of Subsidiaries (Cont'd)

The cash outflows on acquisitions are as follows:

	mBox RM	Nastech RM	Mobile Fusion RM	Total RM
Purchase consideration satisfied by cash	149,580	1	2	149,583
Cash and cash equivalents of subsidiaries acquired	(60,252)	(1)	(2)	(60,255)
Net cash outflow of the Group	89,328			89,328

15. INVESTMENTS IN ASSOCIATES

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Quoted shares outside Malaysia, at cost	11,224,834	11,224,834	11,224,834	11,224,834
Unquoted shares, at cost	4,564,676	4,564,676	4,564,676	4,564,676
	15,789,510	15,789,510	15,789,510	15,789,510
Share of post acquisition reserves	7,215,254	9,051,147		
	23,004,764	24,840,657	15,789,510	15,789,510
Market value of quoted shares	10,296,000	88,584,570	10,296,000	88,584,570

The cash outflows on acquisitions are as follows:

Name of Associates	Share Capital	Country of Incorporation	Equity Interest Held 2007 %	Equity Interest Held 2006 %	Principal Activities
IdotTV Sdn Bhd	RM2,000,000	Malaysia	20	20	Provision of value added telecommunication services
GMO Limited	GBP7,540,000	United Kingdom	29.93	29.93	Investment holding*

* The key subsidiary of GMO Limited is a provider of wireless value added services in the Republic of China.

The financial statements of the above associates are coterminous with those of the Group.

15. INVESTMENTS IN ASSOCIATES (Cont'd)

The summarised financial information of the associates are as follows:

	Group 2007 RM	Group 2006 RM
Assets and liabilities		
Current assets	22,418,071	60,607,898
Non current assets	120,498,794	45,204,250
Total assets	142,916,865	105,812,148
Current liabilities, representing total liabilities	17,617,642	31,648,795
Results		
Revenue	41,321,373	21,621,595
(Loss)/profit for the year	(1,852,994)	8,023,339

The details of goodwill included within the Group's carrying amount of investments in associates are as follows:

	Group 2007 RM	Group 2006 RM
Cost/net carrying amount		
At 1 January	4,483,933	
Arising from investments in associates		4,483,933
At 31 December	4,483,933	4,483,933

16. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Unquoted shares, at cost	23,651	23,651	23,651	23,651
Share of post acquisition reserves	(23,651)	(23,651)		
			23,651	23,651

The Group's unrecognised share of losses of jointly controlled entity for the current year and cumulatively were RM528,349 (2006: RM93,990) and RM622,339 (2006: RM93,990), respectively.

Name of Associates	Share Capital	Country of Incorporation	Equity Interest Held 2007 %	Equity Interest Held 2006 %	Principal Activities
Direct:					
Cellcast SEA Limited	HKD100,000	Hong Kong	50	50	Provision of television broadcasting services

16. INVESTMENT IN JOINTLY CONTROLLED ENTITY (Cont'd)

Name of Associates	Share Capital	Country of Incorporation	Equity Interest Held 2007 %	Equity Interest Held 2006 %	Principal Activities
Indirect:					
Cellcast Interactive (Malaysia) Sdn Bhd	RM2	Malaysia	50		Provision of mobile messaging technology services

The Group's aggregate share of the current assets, non current assets, current liabilities, income and expenses of the jointly controlled entity is as follows:

	Group 2007 RM	Group 2006 RM
Assets and liabilities		
Current assets	589,151	35,684
Non current assets	131,968	5,214
Total assets	721,119	40,898
Current liabilities, representing total liabilities	(1,320,147)	(132,814)
Results		
Revenue	884,571	377,114
Expenses	(1,424,033)	(494,755)
Loss for the year	(528,349)	(117,641)

17. OTHER INVESTMENTS

	Group/Company 2007 RM	Group/Company 2006 RM
Quoted shares outside Malaysia, at cost	3,201,892	3,201,892
Murabahah Loan Notes, at cost	22,239,519	
	25,441,411	3,201,892
Market value of quoted shares	1,226,610	2,495,340

On 22 January 2007, the Company entered into a Murabahah Loan Notes ("MLN") Subscription Agreement with an associate, GMO Limited, to subscribe for USD999,184 (equivalent to RM3,303,802) nominal value of MLN comprising:

(i) USD830,000 nominal value primary MLN ("Primary MLN"); and

(ii) USD169,184 nominal value secondary MLN ("Secondary MLN")

for a total subscription consideration of USD830,000 (equivalent to RM2,744,395).

17. OTHER INVESTMENTS (Cont'd)

The Company further subscribed for USD7,093,220 (equivalent to RM23,453,733) nominal value MLN from a director, Eugene Goh together will all his rights, title, interests and benefits with all his duties, obligations and liabilities arising therefrom, pursuant to or in connection with the Subscription Agreement from Goh Eugene for a total cash consideration of USD6,117,302 (equivalent to RM20,226,860), in accordance with the terms and conditions of the conditional sale and purchase cum novation agreement dated 8 May 2007 entered into between the Company, Goh Eugene and GMO Limited.

The Primary MLN attracts an effective interest rate of 10% and is due to mature within two years from its subscription date. The Secondary MLN, which represents the interest, is due to mature on an annual basis at and of every one year from its subscription date (Note 19(c)).

18. DEFERRED TAXATION

	Group	
	2007	**2006**
	RM	**RM**
At 1 January	599,649	564,108
Recognised in income statement (Note 10)	851,818	8,226
Exchange differences	(57,678)	27,315
At 31 December	1,393,789	599,649
Presented after appropriate offsetting as follows:		
Deferred tax assets	1,435,126	678,697
Deferred tax liabilities	(41,337)	(79,048)
	1,393,789	599,649

The components and movements of deferred tax assets and liabilities during the year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Unused Tax Losses and Unabsorbed Capital Allowances	**Others**	**Total**
	RM	**RM**	**RM**
At 1 January 2007	655,947	22,750	678,697
Recognised in income statement	777,986	35,542	813,528
Exchange differences	(52,457)	(4,642)	(57,099)
At 31 December 2007	1,381,476	53,650	1,435,126
At 1 January 2006	626,500	8,271	634,771
Recognised in income statement	328	16,055	16,383
Exchange differences	29,119	(1,576)	27,543
At 31 December 2006	655,947	22,750	678,697

18. DEFERRED TAXATION (Cont'd)

Deferred tax liabilities of the Group:

	Plant and Equipment RM
At 1 January 2007	(79,048)
Recognised in income statement	38,290
Exchange differences	(579)
At 31 December 2007	(41,337)
At 1 January 2006	(70,663)
Recognised in income statement	(8,157)
Exchange differences	(228)
At 31 December 2006	(79,048)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2007 RM	2006 RM
Unused tax losses	6,700,000	8,500,000
Unabsorbed capital allowances	7,100,000	1,100,000
	13,800,000	9,600,000

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade receivables				
Third parties	19,494,869	33,709,904		604,480
Subsidiaries			28,950,441	26,768,364
	19,494,869	33,709,904	28,950,441	27,372,844
Less: Provision for doubtful debts	(4,205,031)	(597,462)		
Trade receivables, net	15,289,838	33,112,442	28,950,441	27,372,844
Other receivables parties:				
Amounts due from related parties:				
Subsidiaries			3,790,071	5,670,055
Associates	40,163	480,885	14,732	317,342
Jointly controlled entity	637,901	55,204	55,161	4,584
	678,064	536,089	3,859,964	5,991,981
Deposits	651,668	567,944	8,472	8,472
Prepayments	238,428	1,310,877	35,205	2,323
Sundry receivables	2,947,921	1,556,179	1,604,176	320,634
	4,516,081	3,971,089	5,507,817	6,323,410
	19,805,919	37,083,531	34,458,258	33,696,254

19. TRADE AND OTHER RECEIVABLES (Cont'd)

(a) Trade receivables

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with customers are mainly on credit. The credit period ranges from one to three months (2006: one to three months). Other credit terms are assessed and approved on a case by case basis. Trade receivables are monitored on an ongoing basis via the Group's reporting procedures. As at balance sheet date, the Group does not have significant concentration of credit risk. Trade receivables are non interest bearing.

(b) Amounts due from related parties - trade and non-trade

Amounts due from related parties are non interest bearing and are repayable on demand. All related parties receivables are unsecured and are to be settled in cash.

(c) Sundry receivables

Included in the sundry receivables of the Group and of the Company is RM1,111,138 being the accrued portion of the Secondary MLN receivable as at balance sheet date (Note 17).

Further details on related party transactions are disclosed in Note 29.

20. INVENTORIES

Inventories represent merchandise stocks held for sale, stated at cost.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Cash on hand and at banks	4,274,471	12,133,054	62,717	391,311
Deposits with licensed banks	1,611,553	574,335	1,540,330	
	5,886,024	12,707,389	1,603,047	391,311

Included in deposits with licensed banks of the Group and the Company is a deposit of RM1,500,000 (2006: Nil) being pledged as securities for bank overdrafts (Note 25).

The weighted average effective interest rates and average maturities of deposits with licensed banks at the balance sheet date were as follows:

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Weighted average:				
interest rates (%)	3.4	3.1	3.4	
maturities (days)	90	30	90	

21. CASH AND CASH EQUIVALENTS (Cont'd)

For the purpose of the cash flow statements, cash and cash equivalents comprise the followings as at the balance sheet date:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	5,886,024	12,707,389	1,603,047	391,311
Bank overdrafts (Note 25)	(13,006,138)		(13,006,138)	
Total cash and cash equivalents	(7,120,114)	12,707,389	(11,403,091)	391,311

22. SHARE CAPITAL

	Number of Ordinary Shares of RM0.10 Each		Amount	
	2007	2006	2007 RM	2006 RM
Authorised:				
At 1 January	100,000,000	100,000,000	10,000,000	10,000,000
Created during the year	400,000,000		40,000,000	
At 31 December	500,000,000	100,000,000	50,000,000	10,000,000
Issued and fully paid:				
At 1 January	90,750,000	82,500,000	9,075,000	8,250,000
Issue of shares		8,250,000		825,000
At 31 December	90,750,000	90,750,000	9,075,000	9,075,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

In prior year, the Company implemented a private placement for cash of 8,250,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM2.75 per ordinary shares for total proceeds of RM22,687,500. The share issue expense of RM1,287,810 has been included in the share premium account. The new ordinary shares issued in prior year rank pari passu in all respects with the existing ordinary shares of the Company.

23. OTHER RESERVES

	Foreign Currency Translation Reserve RM	Other Reserves RM	Total RM
Group			
At 1 January 2007	142,283	(1,458,630)	(1,316,347)
Foreign currency translation	(399,408)		(399,408)
Share of post acquisition reserves of an associate		(1,086,613)	(1,086,613)
At 31 December 2007	(257,125)	(2,545,243)	(2,802,368)
At 1 January 2006	46,909		46,909
Gain on deemed disposal of interest in an associate		53,585	53,585
Foreign currency translation	95,374		95,374
Share of post acquisition reserves of an associate		(1,512,215)	(1,512,215)
At 31 December 2006	142,283	(1,458,630)	(1,316,347)

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Other reserves comprise gain or loss on dilution of interest in associates and share of post acquisition reserves of associates.

24. RETAINED EARNINGS

Currently, Malaysian companies adopt the full imputation system. The Government introduced the single tier tax system for companies effective from the year of assessment 2008. Under the single tier system, the Company shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends paid, credited or distributed by the Company will be exempted from tax in the hands of the shareholders. However, there will be a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrecoverable option to disregard the 108 balance and opt to pay dividends under the single tier system. This change in tax law also provides for the 108 balance to be locked in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

During the transitional period, the Company may utilise the tax credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007.

The Company has sufficient tax credit in the 108 balance and balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2007 without incurring additional tax liability.

25. BORROWINGS

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Short term borrowings				
Secured:				
Bank overdrafts	13,006,138		13,006,138	
Hire purchase and finance lease liabilities (Note 26)	78,595	104,681		
	13,084,733	104,681	13,006,138	
Long term borrowings				
Secured:				
Hire purchase and finance lease liabilities (Note 26)	153,225	231,820		
Total borrowings				
Secured:				
Bank overdrafts	13,006,138		13,006,138	
Hire purchase and finance lease liabilities (Note 26)	231,820	336,501		
	13,237,958	336,501	13,006,138	

The bank overdrafts attract weighted average effective interest rate of 8.25%, are secured on a deposit with licensed bank of RM1,500,000 (Note 21) and have been fully repaid subsequent to year end.

26. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group 2007 RM	Group 2006 RM
Future minimum lease payments:		
Not later than 1 year	86,976	119,404
Later than 1 year and not later than 2 years	159,426	86,976
Later than 2 year and not later than 5 years		159,426
	246,402	365,806
Less: Future finance charges	(14,582)	(29,305)
Present value of finance lease liabilities (Note 25)	231,820	336,501
Analysis of present value of finance lease liabilities:		
Not later than 1 year	78,595	104,681
Later than 1 year and not later than 2 years	153,225	231,820
	231,820	336,501
Less: Amount due within 12 months (Note 25)	(78,595)	(104,681)
Amount due after 12 months (Note 25)	153,225	231,820

26. HIRE PURCHASE AND FINANCE LEASE LIABILITIES (Cont'd)

The Group has finance lease and hire purchase contract for computers and motor vehicle (Note 12). The lease has terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the Group. There are no restrictions placed upon the Group by entering into the lease and no arrangements have been entered into for contingent rental payments.

Other information on financial risks of hire purchase and finance lease liabilities are disclosed as follows:

	2007	2006
Effective interest rate (%)	2.30	2.30
Fair value (RM)	232,003	247,783

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Current				
Trade payables				
Third parties	5,564,474	4,427,557		
Other payables				
Amounts due to subsidiaries			7,415,748	800,736
Amount due to a director	7,003,247		7,003,247	
Accruals	3,436,966	1,941,447	70,500	126,500
Sundry payables:				
acquisition of subsidiary	2,493,498	2,493,498	2,493,498	2,493,498
acquisition of associate		1,320,000		1,320,000
acquisitions of intangible assets (Note 13)	6,883,970	1,050,000	950,100	1,050,000
others	3,304,602	1,643,330	913,853	494,759
	23,122,283	8,448,275	18,846,946	6,285,493
	28,686,757	12,875,832	18,846,946	6,285,493

(a) Trade payables

Trade payables are non interest bearing and the normal trade credit terms granted to the Group range from one month to three months (2006: one month to three months).

(b) Amounts due to subsidiaries

Amounts due to subsidiaries are non interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

(c) Amount due to a director

Amount due to a director is subject to an interest rate of 10% calculated on daily rest basis. The amount is unsecured and is to be settled in cash. The amount due to a director has been fully repaid subsequent to year end.

Further details on related party transactions are disclosed in Note 29.

28. OPERATING LEASE ARRANGEMENTS

The Group has entered into non cancellable operating lease agreements for the use of offices. These leases have an average life of between 1 and 2 years with no renewal or purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

The future aggregate minimum lease payments under non cancellable operating lease contracted for as at the balance sheet date but not recognised as liabilities are as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Future minimum rentals payments:				
Not later than 1 year	1,275,131	980,975	20,970	8,738
Later than 1 year and not later than 5 years	1,167,900	967,268	8,738	
	2,443,031	1,948,243	29,708	8,738

29. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group/Company had the following transactions with related parties during the year:

Jointly controlled entity, Cellcast Interactive Malaysia Sdn. Bhd.

		Group	
		2007	**2006**
	Note	**RM**	**RM**
Rendering of services	(i)	(1,131,444)	
Accounting fee income rendered	(ii)	(72,000)	
Settlement of liabilities on behalf of		(1,318,948)	

(i) The services rendered were charged based on 10% of gross margin/loss earned by the jointly controlled entity. These terms are consistent with those agreed upon by Cellcast PLC. Collections from customers were received on behalf by the Group and the expenses directly incurred on the services rendered were settled, prior to the remittance of net 90% gross margin/loss to the jointly controlled entity.

(ii) The accounting services rendered were charged based on actual time costs incurred by the Group.

Information regarding outstanding balance arising from the jointly controlled entity as at 31 December 2007 is disclosed in Note 19.

29. RELATED PARTY DISCLOSURES (Cont'd)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group/Company had the following transactions with related parties during the year: (Cont'd)

Other related party

The Group had recurrent transactions with Green Packet Berhad ("GPB"), an associate of a significant shareholder of the Company, as follows:

	Group/Company 2007 RM	Group/Company 2006 RM
Rendering of services to GPB	(570,625)	(261,172)
Sales of goods to GPB	(414,329)	
Purchase of software license		1,050,000

The balance due to GPB as at 31 December 2007 is RM950,100 (2006: RM1,050,000).

All transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

	Note	Company 2007 RM	Company 2006 RM
Subsidiaries			
Licensing fees charged to	(i)	(2,298,715)	(4,976,332)
Management fees charged to	(i)	(223,995)	(443,302)
Settlement of liabilities on behalf by		2,024,555	6,207,258
Settlement of liabilities on behalf of		(1,638,756)	(8,817,376)

(i) Both the licensing and management fees are charged to subsidiaries at an escalating percentage depending on the revenue achieved by the respective subsidiaries during the year.

Information regarding outstanding balances arising from related party transactions as at 31 December 2007 are disclosed in Notes 19 and 27.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follow:

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Short-term employee benefits	2,073,309	1,661,876	360,260	247,825
Defined contribution plan	197,152	122,565	43,248	27,322
Estimated money value of benefit in kind		27,575		
	2,270,461	1,812,016	403,508	275,147

Included in the total key management personnel are directors' remuneration as disclosed in Note 9.

30. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity and credit risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk whereas borrowings at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to borrow only from large financial institutions with a 'fixed' base lending rate ("BLR") and agreed spread above the BLR in order to determine the maximum exposure of the Group to interest rate risk. This strategy allows the Group to protect its interest exposure against interest rate hikes.

At balance sheet date, the Group's floating rate borrowing relates to bank overdrafts whereas its fixed rate borrowings relate to amount due to a director and finance leases.

(c) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(d) Foreign Currency Risk

The Group is exposed to various foreign currencies, mainly Singapore Dollars, Thai Baht and Indonesia Rupiah, Hong Kong Dollars and United States Dollars. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group manages all its foreign assets and liabilities using the best available foreign currency exchange rates. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

30. FINANCIAL INSTRUMENTS (Cont'd)

(d) Foreign Currency Risk (Cont'd)

The net unhedged financia assets and financia iabi ities of the Group that are not denominated in their functiona currencies are as fo ows:

Functional Currency Group Companies	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies									
	RM	SGD	IDR	THB	HKD	VND	INR	CNY	USD	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 31 December 2007:										
RM	-	15,641,784	3,441,962	931,957	640,169	370,392	132,449	1,050,115	371,921	22,580,749
SGD	(15,900,003)	-	489,148	3,748	1,470,656	17,772	47,030	1,490,970	1 ,898,647	(10,482,032)
DR	(3,559,178)	(484,865)	-	98,770	132,858	-	-	-	-	(3,812,415)
THB	(2,019,997)	(4,073)	(99,130)	-	330	-	-	-	-	(2,122,870)
HKD	(359,501)	(1,714,643)	(132,979)	(273)	-	-	-	(3,960,545)	1 0,396	(6,157,545)
VND	(358,969)	(17,641)	-	-	-	-	-	-	-	(376,610)
NR	(128,792)	(35,263)	-	-	-	-	-	-	-	(164,055)
CNY	(1,118,375)	(1,483,369)	-	-	4,221,877	-	-	-	-	1,620,133
USD	(354,850)	(1,892,958)	-	-	(10,395)	-	-	-	-	(2,258,203)
	(23,799,665)	10,008,972	3,699,001	1,034,202	6,455,495	388,164	179,479	(1,419,460)	2,280,964	(1,172,848)
At 31 December 2006:										
RM	-	12,843,362	3,053,319	2,202,931	4,405,922	92,247	113,289	73,129	1,000,000	23,784,199
SGD	(13,340,277)	-	471,077	93,109	97,742	194,987	10,731	35,309	1,496,820	(10,940,502)
DR	(2,948,027)	(472,704)	-	105,687	266	-	-	-	-	(3,314,778)
THB	(2,309,146)	(94,194)	(106,039)	-	330	-	-	-	-	(2,509,049)
HKD	(3,470,312)	(90,383)	(256)	-	-	(293)	-	-	(4,782,195)	(8,343,439)
AUD	(92,158)	(195,823)	-	-	-	-	-	-	-	(287,981)
VND	(114,907)	(11,079)	-	-	-	-	-	-	-	(125,986)
NR	(67,541)	(35,558)	-	-	-	-	-	-	-	(103,099)
CNY	(1,067,428)	(1,482,058)	-	-	4,790,431	-	-	-	-	2,240,945
	(23,409,796)	10,461,563	3,418,101	2,401,727	9,294,691	286,941	124,020	108,438	(2,285,375)	400,310

30. FINANCIAL INSTRUMENTS (Cont'd)

(e) Credit Risk

Credit risk, or the risk of counterparties defaulting is controlled by the application of credit approvals, limits and monitoring procedures. As at balance sheet date, the Group and the Company has no significant concentration of credit risk.

(f) Fair Values

It is not practical to determine the fair values of balances with related parties due principally to a lack of fixed repayment term and lack of quoted market prices entered into by the parties involved and without incurring excessive costs. However, the directors do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The carrying amounts of other financial assets and liabilities approximate their fair values except as indicated in their respective notes.

31. SUBSEQUENT EVENTS

(a) Increase in share capital

The renounceable Rights Issue of 45,375,000 new mTouche Technology Berhad ("MTB") shares together with 45,375,000 free detachable warrants ("Warrants") on the basis of one (1) rights share together with one (1) free warrant for every two (2) existing MTB shares held at 5.00 p.m. on 5 December 2007 and at an issue price of RM0.80 per rights shares was completed on 28 January 2008. The net proceeds received from the issuance of new ordinary shares is RM35,311,270 after netting off direct expenses of RM988,730.

(b) mTouche Australia Pty Ltd ceased to be a subsidiary

Based on a letter dated 14 February 2008, mTouche (Australia) Pty Ltd was deregistered under section 601 AA(4) of the Australian Corporations Act 2001 and has ceased to be a wholly owned subsidiary of the Company subsequent to balance sheet date.

32. SEGMENT INFORMATION

(a) Reporting format

The primary segment reporting format is determined to be geographical segments as the Group's risks and rates of return are determined predominantly by geographical location of its customers and assets. Secondary information is reported by business segment.

(b) Geographical segments

The Group's geographical segments are based on the location of its markets, which is similar to the location of its assets.

The management determines that its geographical segments comprise the following markets which have similar characteristics:

(i) Matured markets   countries which the Group has achieved a stable penetration rate, including Malaysia and Singapore.

(ii) Emerging markets   countries with potential growth and penetration rate including Hong Kong, Republic of China, Indonesia, Thailand, Australia, Vietnam and India.

(c) Business segments

The Group's business segment comprises the following main business segments:

(i) Mobile messaging services   provision of mobile messaging technology services and product customisation.

(ii) Telecommunication support activities   provision of support services to telecommunication general importers and exporters, supply of related goods and provision of information technology consultancy.

32. SEGMENT INFORMATION (Cont'd)

(d) Allocation basis and transfer pricing

Sales to external customers disclosed in geographical segments are based on the geographical location where sales is generated. Segmental assets are based on the location of those assets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transfer prices between geographical segments are set on an arm's length basis in a manner similar to transactions with third parties. These transfers are eliminated on consolidation.

Geographical segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segments:

	Matured markets RM	Emerging markets RM	Eliminations RM	Total RM
31 December 2007				
Revenue				
Sales to external customers	29,376,464	15,822,174		45,198,638
Inter segment sales	2,522,710		(2,522,710)	
Total revenue	31,899,174	15,822,174	(2,522,710)	45,198,638
Results				
Segment results	(8,855,007)	(2,397,044)	(1,275,942)	(12,527,993)
Share of results of associates	(749,280)			(749,280)
Loss before tax				(13,277,273)
Income tax benefit				756,265
Loss for the year				(12,521,008)
Assets				
Segment assets	135,923,027	28,294,227	(76,216,554)	88,000,700
Investments in associates	15,789,510		7,215,254	23,004,764
Investment in jointly controlled entity	23,651		(23,651)	
				111,005,464
Liabilities				
Segment liabilities	80,609,096	28,887,498	(67,442,010)	42,054,584
Other segment information:				
Capital expenditure	153,541	712,535		866,076
Depreciation of plant and equipment	674,611	317,481		992,092
Amortisation of intangible assets	2,338,633	229,024		2,567,657
Impairment of goodwill	2,536,853			2,536,853
Provision for doubtful debts	2,602,676	1,004,893		3,607,569
Bad debts written off	4,355,521			4,355,521
Plant and equipment written off	276,362			276,362

32. SEGMENT INFORMATION (Cont'd)

Geographical segments (Cont'd)

	Matured markets RM	Emerging markets RM	Eliminations RM	Total RM
31 December 2006				
Revenue				
Sales to external customers	33,098,782	20,231,554		53,330,336
Inter segment sales	7,920,614		(7,920,614)	
Total revenue	41,019,396	20,231,554	(7,920,614)	53,330,336
Results				
Segment results	9,783,044	6,981,744	(309,756)	16,455,032
Share of results of associates	1,773,815			1,773,815
Share of results of jointly controlled entity	1,598,671			1,598,671
Gain on deemed disposal of interest in an associate	4,950,465			4,950,465
Profit before tax				24,777,983
Income tax expense				(295,550)
Profit for the year				24,482,433
Assets				
Segment assets	104,097,181	29,056,440	(61,582,389)	71,571,232
Investments in associates	24,840,657			24,840,657
Investment in jointly controlled entity	23,651		(23,651)	
				96,411,889
Liabilities				
Segment liabilities	40,429,549	22,838,559	(49,798,184)	13,469,924
Other segment information:				
Capital expenditure	625,972	108,014		733,986
Depreciation of plant and equipment	596,274	110,369		706,643
Amortisation of intangible assets	596,940			596,940
Provision for doubtful debts	597,462			597,462

32. SEGMENT INFORMATION (Cont'd)

Business segments

The following table provides an analysis of the Group's revenue by business segments:

	Revenue by Business Segments 2007 RM	2006 RM
Mobile messaging services	24,160,439	36,554,728
Telecommunication support activities	16,817,793	15,775,608
Others	4,220,406	1,000,000
	45,198,638	53,330,336

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by business segments:

	Segment Assets		Capital Expenditure	
	2007 RM	2006 RM	2007 RM	2006 RM
Mobile messaging services	87,200,997	61,550,203	348,350	733,986
Telecommunication support activities	9,484,606	29,060,913	482,247	
Others	14,319,861	5,800,773	35,480	
	111,005,464	96,411,889	866,077	733,986

ANALYSIS OF SHAREHOLDINGS AS AT 4 APRIL 2008

Authorised Share Capital	:	500,000,000
Issued & Fully Paid up Capital	:	136,125,000
Class of Shares	:	Ordinary share of RM0.10
Voting Rights	:	One vote per share
Number of Shareholders	:	834

DISTRIBUTON OF SHAREHOLDING

SIZE OF SHAREHOLDINGS	No. of Holders	%	No. of Shares	%
1 99	4	0.48	154	0.00
100 1,000	92	11.03	77,350	0.06
1,001 10,000	393	47.12	1,975,500	1.45
10,001 100,000	287	34.41	9,495,600	6.98
100,001 TO LESS THAN 5% OF ISSUED SHARES	53	6.36	47,671,214	35.02
5% AND ABOVE OF ISSUED SHARES	5	0.60	76,905,182	56.49
	834	100.00	136,125,000	100.00

DIRECTORS' SHAREHOLDINGS

	Name	Direct	%	Indirect	%
1	GOH EUGENE (WU EUGENE)	31,104,749	22.85		
2	TAN WEE MENG (CHEN WEIMING)	18,963,149	13.93		
3	NG JOO HOW	3,000	0.00		
4	LAI TEIK KIN	0	0.00		
5	YEE CHEE WAI, PATRICK	0	0.00		

SUBSTANTIAL SHAREHOLDERS

	Name	Direct	%	Indirect	%
1	GOH EUGENE (WU EUGENE)	31,104,749	22.85		
2	TAN WEE MENG (CHEN WEIMING)	18,963,149	13.93		
3	OSK CAPITAL PARTNERS SDN. BHD.	36,679,248	26.95		
4	OSK VENTURES INTERNATIONAL BERHAD			36,679,248	26.95[1]
5	OSK HOLDING BERHAD			36,679,248	26.95[2]
6	ONG LEONG HUAT @ WONG JOO HWA			36,679,248	26.95[3]

1 Deemed interested by virtue of its shareholdings in OSK Capital Partners Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

2 Deemed interested by virtue of its shareholdings in OSK Vertures International Berhad pursuant to Section 6A of the Companies Act, 1965.

3 Deemed interested by virtue of its shareholdings in OSK Holding Berhad pursuant to Section 6A of the Companies Act, 1965.

30 LARGEST SECURITIES ACCOUNT HOLDERS

	Holder Name	No of Shares Held	%
1	OSK CAPITAL PARTNERS SDN. BHD.	36,679,248	26.95
2	OSK NOMINEES (ASING) SDN BERHAD QUALIFIER:OSK CAPITAL SDN BHD FOR GOH EUGENE (WU EUGENE)	17,626,147	12.95
3	OSK NOMINEES (ASING) SDN BERHAD QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR GOH EUGENE (WU EUGENE)	7,759,653	5.70
4	OSK NOMINEES (ASING) SDN BERHAD QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR TAN WEE MENG (CHEN WEIMING)	7,594,730	5.58
5	OSK NOMINEES (ASING) SDN BERHAD QUALIFIER:OSK CAPITAL SDN BHD FOR TAN WEE MENG (CHEN WEIMING)	7,245,404	5.32
6	GOH EUGENE (WU EUGENE)	5,718,949	4.20
7	HSBC NOMINEES (TEMPATAN) SDN BHD QUALIFIER:HSBC (M) TRUSTEE BHD FOR OSK UOB GLOBAL NEW STARS FUND (5717 401)	4,779,600	3.51
8	OSK NOMINEES (TEMPATAN) SDN BERHAD QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR SENG SIAU LEE	4,500,000	3.31
9	HENDRA SIE	4,201,058	3.09
10	TAN WEE MENG (CHEN WEIMING)	3,917,365	2.88
11	NORA EE SIONG CHEE	3,000,000	2.20
12	TCL NOMINEES (TEMPATAN) SDN.BHD. QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR SIEH JOO SHIONG	2,977,250	2.19
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD QUALIFIER:PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	2,555,700	1.88
14	TCL NOMINEES (ASING) SDN.BHD. QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR CLASSIC GROUP HOLDINGS INC.	1,748,300	1.28
15	SHIN KONG KEW @ CHIN KONG KEW	1,236,100	0.91

30 LARGEST SECURITIES ACCOUNT HOLDERS (Cont'd)

	Holder Name	No of Shares Held	%
16	HSBC NOMINEES (ASING) SDN BHD QUALIFIER:EXEMPT AN FOR CREDIT SUISSE (SG BR TST ASING)	915,200	0.67
17	MAYBAN NOMINEES (ASING) SDN BHD QUALIFIER:NOMURA SINGAPORE LIMITED FOR XCESS FINANCE CO LTD (250251)	906,150	0.67
18	ECML NOMINEES (TEMPATAN) SDN. BHD QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR LEONG KAM CHEE	770,000	0.57
19	LOH TECK YEN	600,000	0.44
20	BOEY TAK KONG	600,000	0.44
21	TAN YU WEI	511,600	0.38
22	SIEH JOO SHIONG	506,700	0.37
23	TAN KIN LEE	500,000	0.37
24	CHEW GUAT LOOI	478,000	0.35
25	WONG YUET YING	441,600	0.32
26	MOHAMAD AZRIL BIN ABDUL RAZAK	397,050	0.29
27	KHAW SWEE LEAN	300,000	0.22
28	INTER PACIFIC EQUITY NOMINEES (ASING) SDN BHD QUALIFIER:KIM ENG SECURITIES PTE LTD FOR HENDRA SIE	278,000	0.20
29	HSBC NOMINEES (TEMPATAN) SDN BHD QUALIFIER:HSBC (M) TRUSTEE BHD FOR OSK UOB EMERGING OPPORTUNITY UNIT TRUST (4611)	277,900	0.20
30	PUBLIC NOMINEES (TEMPATAN) SDN BHD QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR ANG TAN YONG (E JBU)	270,000	0.20
		119,291,704	87.63

ANALYSIS OF WARRANT HOLDINGS AS AT 4 APRIL 2008

DISTRIBUTON OF WARRANT HOLDINGS

SIZE OF WARRANT HOLDING	No. of Holders	%	No. of Warrants	%
1 99	2	0.62	100	0.00
100 1,000	51	15.84	42,200	0.09
1,001 10,000	148	45.96	758,854	1.67
10,001 100,000	97	30.13	3,513,450	7.75
100,001 TO LESS THAN 5% OF ISSUED SHARES	21	6.52	8,412,900	18.54
5% AND ABOVE OF ISSUED SHARES	3	0.93	32,647,496	71.95
	322	100.00	45,375,000	100.00

DIRECTORS' WARRANT HOLDINGS

	Name	Direct	%	Indirect	%
1	GOH EUGENE (WU EUGENE)	11,868,249	26.16		
2	TAN WEE MENG (CHEN WEIMING)	6,212,499	13.69		
3	NG JOO HOW	1,000	0.00		
4	LAI TEIK KIN	0	0.00		
5	YEE CHEE WAI, PATRICK	0	0.00		

30 LARGEST WARRANTS ACCOUNT HOLDERS

	Holder Name	No of Warrants Held	%
1	OSK CAPITAL PARTNERS SDN. BHD.	14,566,748	32.10
2	OSK NOMINEES (ASING) SDN BERHAD QUALIFIER:OSK CAPITAL SDN BHD FOR GOH EUGENE (WU EUGENE)	11,868,249	26.16
3	OSK NOMINEES (ASING) SDN BERHAD QUALIFIER:OSK CAPITAL SDN BHD FOR TAN WEE MENG (CHEN WEIMING)	6,212,499	13.69
4	HSBC NOMINEES (TEMPATAN) SDN BHD QUALIFIER:HSBC (M) TRUSTEE BHD FOR OSK UOB GLOBAL NEW STARS FUND (5717 401)	1,593,200	3.51
5	NORA EE SIONG CHEE	1,000,000	2.20
6	KHOO BOO GHEE	810,700	1.79
7	SHIN KONG KEW @ CHIN KONG KEW	699,000	1.54
8	TOH HOOI HAK	640,000	1.41
9	TAN YU WEI	580,000	1.28
10	CHEW GUAT LOOI	513,500	1.13
11	MAYBAN NOMINEES (ASING) SDN BHD QUALIFIER:NOMURA SINGAPORE LIMITED FOR XCESS FINANCE CO LTD (250251)	302,050	0.67
12	AFFIN NOMINEES (TEMPATAN) SDN BHD QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR CHAN LAM FATT	292,800	0.65
13	TEO AH SENG	260,000	0.57
14	WONG SIN KIEW	206,000	0.45
15	YAP KIM PIN	201,000	0.44
16	MAYBAN NOMINEES (TEMPATAN) SDN BHD QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR TAN SUN PING	200,000	0.44
17	TCL NOMINEES (TEMPATAN) SDN.BHD. QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR SIEH JOO SHIONG	194,150	0.43

30 LARGEST WARRANTS ACCOUNT HOLDERS (Cont'd)

	Holder Name	No of Warrants Held	%
18	WONG CHEE THONG	150,000	0.33
19	CHAN CHIN SIN	150,000	0.33
20	VOON BOON SHUNG	140,000	0.31
21	CHERN AH HOON	135,500	0.30
22	CHRISTOPHER CHIN TECK KWANG	125,000	0.28
23	PANG HONG YEE	110,000	0.24
24	ROSLI BIN MOHAMAD	100,000	0.22
25	INDAR KAUR A/P DAN SINGH	100,000	0.22
26	EE BOON KIN	100,000	0.22
27	HSBC NOMINEES (TEMPATAN) SDN BHD QUALIFIER:HSBC (M) TRUSTEE BHD FOR OSK UOB EMERGING OPPORTUNITY UNIT TRUST (4611)	99,300	0.22
28	LEE BEE CHING	94,000	0.21
29	CHONG MUI CHOO	90,000	0.20
30	BOEY TAK KONG	85,000	0.19
		41,618,696	91.72

NOTICE OF THE FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of the Company will be held at Greens II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 11 June 2008 at 10.00 a.m. for the following businesses:

AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2007 together with the Directors' and Auditors' Reports thereon. **Resolution 1**
2. To approve the payment of Directors' fees. **Resolution 2**
3. To re elect the following Directors retiring in accordance with Article 93 of the Company's Articles of Association:

   (i) Mr. Goh Eugene (Wu Eugene) **Resolution 3**

   (ii) Mr. Lai Teik Kin **Resolution 4**
4. To re elect Mr. Yee Chee Wai retiring in accordance with Article 99 of the Company's Articles of Association. **Resolution 5**
5. To appoint Messrs Ernst & Young as Auditors of the Company for the ensuring year and to authorise the Directors to fix their remuneration. **Resolution 6**
6. As Special Business to consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:

   AS ORDINARY RESOLUTION

   - AUTHORITY TO ISSUE SHARES

   "THAT subject always to the Companies Act, 1965 ("Act") and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Act, to issue and to allot shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 7**

   AS ORDINARY RESOLUTION

   - PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

   "THAT approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 of the Circular to Shareholders dated 16 May 2008 with Green Packet Berhad, provided that such transactions are undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders; AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary or in the interest of the Company to give effect to the transactions contemplated and/or authorised by this ordinary resolution; AND THAT such approval shall continue to be in force until the earlier of:

   (a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the AGM whereby the authority is renewed;

   (b) the expiration of the period within which the next Annual General Meeting of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

   (c) revoked or varied by a resolution passed by the shareholders in a general meeting." **Resolution 8**

AGENDA (Cont'd)

7. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD
SEOW FEI SAN
LAW MEE POO
Secretaries

Selangor Darul Ehsan
16 May 2008

Notes:-

(i) Proxy

(a) A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or at the hand of an officer or attorney duly authorised.

(b) The instrument of proxy shall be deposited at the Company's Share Registrar's Office at Epsilon Registration Services Sdn Bhd, G 01, Ground Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur, not less than forty eight (48) hours before the time for holding the meeting.

(c) Form of Proxy sent through facsimile transmission shall not be accepted.

(ii) Explanatory Note on Special Business

➢ **Resolution 7**

The proposed Ordinary Resolution 7, if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the next Annual General Meeting of the Company.

➢ **Resolution 8**

The proposed Ordinary Resolution 8, if passed, will allow the Group to enter into Recurrent Transactions pursuant to Rule 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market. Further information on the Proposed Shareholders' Mandate for Recurrent Transactions is set out in the Circular to Shareholders dated 16 May 2008, which is despatched together with the Company's Annual Report 2007.

Directors who are standing for election are as follows:

1.	Mr. Goh Eugene (Wu Eugene)	Article 93
2.	Mr. Lai Teik Kin	Article 93
3.	Mr. Yee Chee Wai	Article 99

Further details of the abovementioned directors seeking re election are set out in the Directors' Profile on page 4 to 5 and Directors' attendance at Board Meetings are set out on page 10.

MTOUCHE TECHNOLOGY BERHAD
(656395-X) (Incorporated in Malaysia)

FORM OF PROXY

No of Shares Held: ____________

I/We ____ (BLOCK LETTERS)

NRIC No./Company No. ____ of

____

being (a) Member(s) of MTOUCHE TECHNOLOGY BERHAD (656395 X) hereby appoint ________________________

____

____ of

____

or failing him, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company to be held at Greens II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 11 June 2008 at 10.00 a.m. and at any adjournment thereof and to vote as indicated below:

	FOR	AGAINST
ORDINARY RESOLUTION 1		
ORDINARY RESOLUTION 2		
ORDINARY RESOLUTION 3		
ORDINARY RESOLUTION 4		
ORDINARY RESOLUTION 5		
ORDINARY RESOLUTION 6		
ORDINARY RESOLUTION 7		
ORDINARY RESOLUTION 8		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specificdirections, your proxy will vote or abstain as he/she thinks fit.

Signed this ______________ day of ________________ 2008

____
Signature / Seal of Member

Notes:

(a) A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or at the hand of an officer or attorney duly authorised.

(b) The instrument of proxy shall be deposited at the Company's Share Registrar's Office at Epsilon Registration Services Sdn Bhd, G 01, Ground Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur, not less than forty eight (48) hours before the time for holding the meeting.

(c) Form of Proxy sent through facsimile transmission shall not be accepted.

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MTOUCHE TECHNOLOGY BERHAD
(656395-X)

G-01, Ground Floor
Plaza Permata
Jalan Kampar
Off Jalan Tun Razak
50400 Kuala Lumpur

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mTouche Technology Berhad (656395-X)

Suite 39-06 Menara Citibank,165 Jalan Ampang,50450 Kuala Lumpur, Malaysia.

Tel : 603 2166 0018 **Fax : 603 2166 1028**

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