MNC Wireless Berhad
(635884-T)

ANNUAL REPORT 2007

Beyond borders and boundaries

Contents

Corporate Information

BOARD OF DIRECTORS

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir
Chairman, Independent Non-Executive Director

Datuk Lee Fook Long
Non-Independent Non-Executive Director

Lee Sze Inn
Chief Executive Officer, Executive Director

Chung Jaan Hao
Chief Operating Officer, Executive Director

Lionel Koh Kok Peng
Non-Independent Non-Executive Director

Christopher Micheal Cheow
Non-Independent Non-Executive Director

Lew Weng Ho
Independent Non-Executive Director

Lee Kam Chun
Independent Non-Executive Director

AUDIT COMMITTEE

Lew Weng Ho
Chairman, Independent Non-Executive Director

Lee Kam Chun
Independent Non-Executive Director

Lionel Koh Kok Peng
Non-Independent Non-Executive Director

COMPANY SECRETARIES

Mah Li Chen (MAICSA 7022751)
Tan Fong Shian @ Lim Fong Shian (MAICSA 7023187)

REGISTERED OFFICE

C15-1 Level 15 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel No.: +603 2166 2000
Fax No.: +603 2166 3000

HEAD OFFICE, PRINCIPAL PLACE OF BUSINESS AND R&D CENTRE

No. 45 Block A Level 3
Unit 3.03 Medan Setia 1
Plaza Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel No.: +603 2080 3222
Fax No.: +603 2093 5909
Email: info@mnc.com.my
Website: www.mnc.com.my

SATELLITE OFFICE AND R&D CENTRE

No.43000 Jalan APEC
Cyberjaya
63000 Selangor Darul Ehsan
Tel No.: +603 2032 3208
Fax No.: +603 2078 4037

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 26 Menara Multi-Purpose
Capital Square
No.8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel No.: +603 2721 2222
Fax No.: +603 2721 2530 / 2531

SPONSOR

OSK Investment Bank Berhad
20th Floor Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel No.: +603 2715 3388
Fax No.: +603 2175 3217

PRINCIPAL BANKER

CIMB Bank Berhad
83 Medan Setia 1
Plaza Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel No.: +603 2087 3000
Fax No.: +603 2710 2840

AUDITORS

Horwath
Chartered Accountants
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel No.: +603 2166 0000
Fax No.: +603 2166 1000

STOCK EXCHANGE

MESDAQ Market of Bursa Malaysia Securities Berhad

Stock Name: MNC
Stock Code: 0103

MNC Group of Companies

MNC Wireless Berhad

The public listed entity with technology, R&D, product innovation, development & distribution centre

Sales & Marketing

MNC Consulting Sdn Bhd
(established since July 2002)

The marketing, administration and consulting arm for the Group
(100% ownership)

MNC Wireless Pte Ltd
(established since January 2006)

The first overseas venture in Singapore, the sales & marketing subsidiary
(100% ownership)

ICMS LLC
(established since October 2007)

The joint-venture mobile-VAS company for KSA, GCC & MENA
(30% ownership – JV with Vodatel LLC)

R&D and Technology

MNC Wireless (China) Ltd
(established since January 2008)

The R&D and product development subsidiary in China
(100% ownership)

Nexgen Studio Pte Ltd
(established since January 2007)

The game development arm in Singapore
(approx. 35% ownership)

Digital Media Agency

Digital Kung-Fu Sdn Bhd
(established since January 2008)

Digital media agency
(100% ownership)

12 January 2007

Being recognised as a successful Venture Capital/Private Equity backed company by the Malaysian Venture Capital and Private Equity Association (MVCA) on 12 January 2007

23 January 2007

MNC expanded into Online Game Business - MNC acquires Nexgen Studio Pte Ltd of Singapore to offer real-time Massive Multiplayer Online Role-Playing Game (MMORPG) to the International Market

25 January 2007

MNC hit the World with 'Elven Legends' - Worldwide announcement of One of the First Real-Time Cross Platform Multiplayer Online Game at the Global 3G Evolution Forum in Tokyo

The Star Online > TechCentral > Home User Thursday March 1, 2007

Face off

By CHRISTY LEE S.W.

To keep up with the latest fads, some of you might have gone out and bought new 3G phones but how often do you actually utilise the 3G connection?

If you're not a businessperson who uses 3G to go online, you probably do not have much use for such a phone.

Mobile value-added services company MNC Wireless Bhd, is going to give you a new reason with its upcoming online mobile game, *Elven Legends*.

Elven Legends revolves around three races of elves, which are the Great Elves, Dark Elves and Forest Elves who are engaged in an endless territorial war against each other.

What is interesting about *Elven Legends* though, is that it is not yet another typical massively multiplayer online role-playing game (MMORPG), which usually involves highly repetitive monster slaying.

NOT YOUR TYPICAL MMORPG: Elven Legends revolves around three races of elves, who are engaged in an endless territorial war against each other.

27 July 2007

MNC announced the winners for the first mobile online game, DreamEPL, an online football fantasy game.

Players assemble a team of real life players and they will play as a team, also known as the 'dreamteam.' Players will then score points based on the players' statistical performances in matches that they play over the course of the season. The main aim of this game is to accumulate as many points as possible, in order for the particular player to be on top of the 'Leaderboard' at the end of the season.

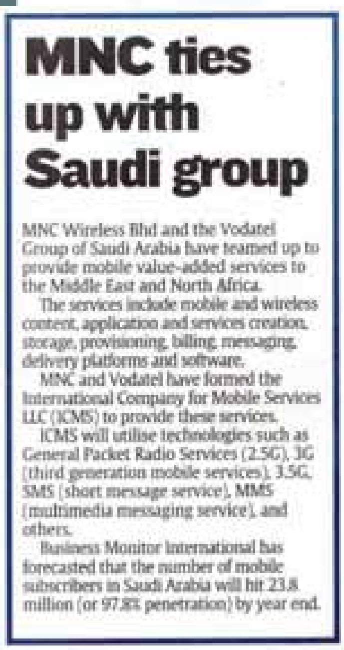
2 October 2007

MNC entered the Middle East market through JV with VODATEL. The JV company named, International Company for Mobile Services LLC (ICMS) to provide mobile VAS in the Kingdom of Saudi Arabia (KSA), Gulf Cooperation Countries (GCC), Middle East and North African Countries (MENA). VODATEL owns 70% with MNC owning 30%.

Wireless revenue opportunities

MNC

Recreating



MNC ties up with Saudi group

MNC Wireless Bhd and the Vodatel Group of Saudi Arabia have teamed up to provide mobile value-added services to the Middle East and North Africa.

The services include mobile and wireless content, application and services creation, storage, provisioning, billing, messaging, delivery platforms and software.

MNC and Vodatel have formed the International Company for Mobile Services LLC (ICMS) to provide these services.

ICMS will utilise technologies such as General Packet Radio Services (2.5G), 3G (third generation mobile services), 3.5G, SMS (short message service), MMS (multimedia messaging service), and others.

Business Monitor International has forecasted that the number of mobile subscribers in Saudi Arabia will hit 23.8 million (or 97.8% penetration) by year end.

MNC无线

Vodatel 进攻中东

力挣油钱

15 January 2008

MNC entered China market by forming MNC Wireless (China) Ltd in Shen Zhen. It is the Research & Development arm in China.

17 January 2008

A new subsidiary named Digital Kung-fu Sdn Bhd was established. Digital Kung-fu offers Branded Digital Community Platform and Services, Digital Advertising Platform and Services and Branded Social Networking Services (SNS) Platform and Services. Digital Kung-fu is the Digital Media Agency in Malaysia.

25 March 2008

MNC & Cellebrum.Com Limited announced strategic partnership. The official announcement of Strategic Partnership that will entail distribution rights, as well as marketing in collaborative areas and co-development between the two market leaders. It also marked the beginning of a long-term mutual collaboration in the areas of research & development, production, distribution & marketing of digital content and services which includes Mobile Value Added Services (M-VAS), Social Networking Services (SNS), and Digital Advertising Platforms to geographical areas where both parties have market presence.

MNC Wireless teams up with India-based Cellebrum.Com

With the help of Cellebrum, MNC hopes to co-develop and distribute its products in India

MNC Wireless inks deal to market products in India

MNC ties up with India's Cellebrum.Com

與Cellebrum合作

MNC無線進駐印度

Kerjasama strategik

MNC Wireless Bhd dan Cellebrum.Com Limited memeterai perjanjian kerjasama strategik dalam bidang penyelidikan dan pembangunan (R&D), pengeluaran, pengedaran serta pemasaran kandungan digital dan perkhidmatan tambah nilai.

Ketua Eksekutifnya, Jasmine Lee, berkata perjanjian itu juga membabitkan hak pengedaran produk, pemasaran dan pembangunan bersama produk.

annual report 2007

AGM

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of M N C WIRELESS BERHAD ("Company" or "MNC") will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Tuesday, 17 June 2008 at 9.00 a.m. for the following purposes:-

1. To lay the audited financial statements for the financial year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon.

2. To re-elect the following Directors who are retiring under Article 92 of the Articles of Association of the Company:

   i) Mr Christopher Micheal Cheow; and **(Ordinary Resolution 1)**
   ii) Datuk Lee Fook Long **(Ordinary Resolution 2)**

3. To re-elect Mr Lee Kam Chun who is retiring under Article 97 of the Articles of Association of the Company. **(Ordinary Resolution 3)**

4. To approve Directors' Fee amounting to RM78,000.00 for the financial year ended 31 December 2007. **(Ordinary Resolution 4)**

5. To re-appoint Messrs Horwath as Auditors and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

6. ***Special business**

   To consider and if thought fit, pass the following resolution:

   Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to allot and issue shares in the capital of the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being, subject to the Articles of Association of the Company and approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and other relevant bodies where such approval is necessary." **(Ordinary Resolution 6)**

By Order of the Board

MAH LI CHEN (MAICSA 7022751)
TAN FONG SHIAN @ LIM FONG SHIAN (MAICSA 7023187)

Company Secretaries

Kuala Lumpur
26 May 2008

Notes:

(1) A member entitled to attend and vote at the meeting may appoint another person as his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

(2) A Member may appoint up to three (3) proxies to attend the same meeting. Where a Member appoints two (2) or more proxies, the appointment shall not be valid unless the Member specifies the proportion of his shareholding to be represented by each proxy.

(3) The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(4) The instrument appointing a proxy and the power of attorney or other attorney, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at C15-1, Level 15, Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding of the meeting or adjourned meeting.

(5) ***Explanatory Note on the Special Business**

Ordinary Resolution 6
Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company, from the date of the Fourth Annual General Meeting, to issue shares (other than bonus or rights issue) of the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being for such purpose as they considered would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Statement Accompanying Notice of Annual General Meeting

Further Details of the following Directors who are standing for re-election at the Fourth Annual General Meeting are set out in the Directors' Profile on pages B1 to B5 of this Annual Report.

i) Mr Christopher Micheal Cheow;
ii) Datuk Lee Fook Long; and
iii) Mr Lee Kam Chun

No individual other than the retiring Directors is seeking election as a Director at the Fourth Annual General Meeting of the Company.

No notice of nomination has been received todate from any member nominating any individual for election as a Director at the Fourth Annual General Meeting.

Board of Directors and Other Information

Tan Sri Datuk Seri Panglima
Abdul Kadir Bin Haji Sheikh Fadzir
Chairman, Independent and Non-Executive Director
Malaysian, Age 69

Date Appointed to the Board - **3 March 2006**

A Law Graduate from Lincoln's Inn, United Kingdom, Tan Sri was a well known politician in Malaysia. He began to serve the country in the 70's as a Political Secretary to the Minister of Welfare Services, of which helped pave the way for his significant involvement with the Federal Government. His big break came in 1983 when he was appointed as the Deputy Minister in the Ministry of Foreign Affairs. In the following years, he was made Deputy Minister in the Ministry of Domestic Trade & Consumer Affairs, Human Resources and the Home Ministry. In 1999, he became the Culture, Arts & Tourism Minister and then in 2004, the Information Minister.

He is a Chairman of Karambunai Corp Berhad, Director of Naga Corp Ltd and Executive Chairman of Sazean Group of Companies.

Datuk Lee Fook Long (Vincent) P.J.N
Non-Independent and Non-Executive Director
Malaysian, Age 54

Date Appointed to the Board - **16 August 2005**

Datuk Lee is widely regarded as one of Malaysia's best brand builders and is the founder of Foetus International in which comprises of Naga DDB Group of Companies, the largest advertising and communications group in Malaysia and also one of the most awarded agencies both locally and internationally. He is the Chairman of the Nomination Committee and a member of the Remuneration Committee of MNC Wireless Berhad. Besides providing stewardship to his companies, he also sits on the board of numerous associations and organizations, which includes being President of the Association of Accredited Advertising Agents Malaysia (4A's), Chairman of the Institute Advertising Communications Training (IACT) and member of the National Branding Task Force of Malaysia External Trade Development Corporation (MATRADE) just to name a few.

He is a director of SHH Resources Holding Berhad.

Lee Sze Inn (Jasmine)
Chief Executive Officer, Executive Director
Malaysian, Age 37

Date Appointed to the Board - **18 June 2004**

A Mass Communications graduate with Honours from Universiti Kebangsaan Malaysia, Jasmine is one of the co-founders of MNC Wireless Berhad. With vast experience in the areas of branding, marketing, customer relationship management and product management, she is responsible for the business strategy and business development of MNC, ensuring the right branding and marketing strategies are deployed for the Group's corporate and market positioning. Prior to MNC, she was the Head of Corporate Marketing at DiGi Telecommunications and pioneered the DiGi website as well as spearheaded its CRM unit, CRM system and Strategic Implementation. In addition, she had also strategised and launched DiGi's mobile internet services portal, "djuice".

She does not hold directorship in any other public company.

Chung Jaan Hao
Chief Operating Officer, Executive Director
Malaysian, Age 35

Date Appointed to the Board - **18 June 2004**

A Finance graduate with Honours from Bowling Green State University, United States of America, Jaan Hao is the co-founder of MNC Wireless Berhad. A former venture capitalist, he is the strategist and planner for the development of cutting-edge products and services for MNC. Prior to MNC, he headed the development and management of SMS and the mobile internet services portal of "djuice" at DiGi Telecommunications. He has worked closely with major vendors, enablers, content providers and device manufacturers in the development of latest mobile data services.

He does not hold directorship in any other public company.

Lionel Koh Kok Peng
Non-Independent and Non-Executive Director
Malaysian, Age 46

Date Appointed to the Board - **18 June 2004**

An Accounting graduate with Honours from Universiti Kebangsaan Malaysia, Lionel is a Member of the Malaysian Institute of Accountants and a Fellow of the Malaysian Institute of Taxation. He is the Chairman of the Remuneration Committee and a member of the Audit Committee of MNC Wireless Berhad. He joined Naga DDB Sdn Bhd in October 1990 and is at present, the Group Finance Director of Naga DDB Sdn Bhd.

He is a director of Rekapacific Berhad.

Christopher Micheal Cheow
Non-Independent and Non-Executive Director
Malaysian, Age 43

Date Appointed to the Board - **18 June 2004**

Christopher is the co-founder and also a member of the Remuneration Committee of MNC Wireless Berhad. An advertising and communications industry veteran, he was Account Director at J Walter Thompson Sdn Bhd and Business Unit Head at Ogilvy & Mather Sdn Bhd respectively before joining Naga DDB as the Business Group Head from 2001 to 2005. He is a Director of Titan Protection Sdn Bhd, which is involved in software design and hardware application in the area of security surveillance.

He does not hold directorship in any other public company.

Lew Weng Ho
Independent and Non-Executive Director
Malaysian, Age 60

Date Appointed to the Board - **16 August 2005**

A Fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of the Malaysian Institute of Accountants, Lew is the Chairman of the Audit Committee and a member of the Nomination Committee of MNC Wireless Berhad. He began his accounting career with Coopers & Lybrand in 1978 before joining Antah Holdings Berhad as Chief Accountant in 1981. He was appointed to the Board of Antah as Finance Director in 1990 and also served on the board of many of its subsidiaries and associate companies until he retired in 1999. At present, he is a financial advisor and business consultant, providing business and personal consulting services to companies and individuals.

He does not hold directorship in any other public company.

Lee Kam Chun
Independent and Non-Executive Director
Malaysian, Age 37

Date Appointed to the Board - **25 April 2008**

An Information Technology graduate with Master Degree from University of Warwick, United Kingdom, Lee Kam Chun is currently a Chief Operating Officer for Tribal DDB (M) Sdn Bhd since 2006 and a General Manager for Rapp Collins (M) Sdn Bhd since 2001. He is a member of the Audit Committee and the Nomination Committee of MNC Wireless Berhad. He was a Marketing Executive for NEC Sales (M) Sdn Bhd in 1997 to 2000 before he join Guava Interactive (M) Sdn Bhd as a Chief Operating Officer for a year in 2000 to 2001.

He does not hold directorship in any other public company.

Mr Lee Kam Chun is the nephew of Datuk Lee Fook Long. The other Directors do not have any family relationship with any Directors and/or substantial shareholders of the Company, except as disclosed above. The details of the Directors' attendance at board meetings are set out in the Statement of Corporate Governance of this Annual Report. 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.

Management's Discussion

On behalf of the Board of Directors of MNC Wireless Berhad and the MNC Group ("MNC") we are pleased to present to you our Fourth Annual Report and the Audited Financial Statements of the Group for the year ended 31 December 2007.

Company Performance

For the financial year ended 31 December 2007 ("FY2007"), MNC registered a revenue of RM8.95 million, representing a marginal decrease of 9% as compared to its recorded revenue of RM9.85 million in the previous financial year.

However, MNC have reduced its losses by posting a loss after taxation of RM1.35 million, representing a decrease of 20% as compared to the loss of RM1.68 million incurred in the previous financial year. The decrease in the Group's losses was due to lower operating expenditure reported for FY2007. The operating expenditure was RM1.08 million lower as compared to the previous year.

As such, our performance in 2007 recorded a marginal improvement from 2006 even with the mobile value added services market still in a sluggish state. Inflexible regulatory guidelines[1] have also dampened the potential of growth of the traditional premium download services in Malaysia.

MNC has been streamlining its operations and diversifying its activities since 2006 to mitigate the slow down in the traditional download business by:-

1) Building its capabilities in rich and innovative content and services such as 3G games and Video Sharing platforms;
2) Expanding the Operator service and Enterprise services portfolio either via self-development and/or strategic partnership(s); and
3) Controlling and reducing operational expenditures.

In FY 2007, MNC gained a pivotal foothold in the Kingdom of Saudi Arabia ("KSA") and the Middle East and North Africa ("MENA") Region to drive new future revenue streams by securing a strategic partnership with Vodatel LLC. A joint-venture ("JV") company known as International Company for Mobile Services ("ICMS") was set-up on 2 October 2007 in Riyadh, KSA. This JV is the combined effort between MNC & Vodatel LLC, the leader in telecommunications services in the region. The JV will be providing mobile content and services in the KSA and the MENA Region. MNC hopes to deliver positive revenues from the KSA market within FY2008.

FY2007 also witnessed a gradual and steady increase in MNC's Enterprise-based revenues in relation to the Go!SMS™ [2] which have increased by 35% in revenues from RM1.23 million (FY2006) to RM1.66 million (FY2007).

Industry Trend and Group Prospects

Management noted that there will be good growth potential in the Malaysian wireless space in short and medium term as Malaysia's GSM subscriber penetration rate of 85% in December 2007 was still far below the 122% reported in Singapore and 152% in Hong Kong. Furthermore, the increasing promotional activity on new data services from the increasing number of players will achieve higher growth rate in data revenue based on FY2007 growth rate between 25% and 28%.

MNC is also confident and ready with this new growth in the market and has been gearing-up since 2006 with new products and services to be offered for the 3G and high-bandwidth consumers. In addition, some of the mobile service providers have reported significant increase in 3G users' base to approximately 1.5 million. The high growths in 3G market were mainly due to large catalogue of content-rich data products and greater access of mobile internet. MNC will definitely be in the forefront with the right innovative services for the market. MNC has invested a total of RM1.88 million in research and development activities for the FY2007.

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1 The Malaysian Communications and Multimedia Commissions ("MCMC") have imposed strict regulations to curb illegal activities by irresponsible companies which have adversely affected the business activities of the industry, as a whole.

2 Go!SMS™ is a mobile-CRM platform developed by MNC to a provide easy and robust Mass Broadcasting communication platform and service to enterprise-based clients and customers.

Some key focus areas of research and development are:

- **Mobile-Online Cross Platform Games:** with the rise of the Internet penetration in Malaysia, the Broadband Internet Subscribers' population is forecasted to increase to 2.77 million subscribers, an estimated of 108.3% increase as compared to the estimated 1.33 million subscribers in 2007 (refer to table below). With the introduction of more wireless and high speed networks (WiMax, WiFi, 3G); the Management sees the potential of converged services with cross platform (mobile-to-PC and PC-to-mobile) capabilities. This resulted in the acquisition of approximately 35% shareholdings into a Singapore-based online and mobile game development company, Nexgen Studios Pte Ltd in January 2007.

  The online gaming industry is a growing industry. The mobile gaming industry is well-poised for growth with various players on the mobile gaming industrial chain, such as game developers, operators, service providers and mobile phone vendors having developed initiatives to take advantage of the market. MNC sees the potential in this market and will take measures to further invest in more acquisitions and development of new games and services for the consumption of not only Malaysian users but also worldwide mobile users as many countries have already launched 3G.

Table: Malaysian Telecoms Sector – Internet – Historical Data & Forecasts

	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f
No of Internet Users ('000)	11,016	11,300	11,876	12,351	12,722	12,976	13,106	13,761
No of Internet Users/100 Inhabitants	43.0	43.8	45.3	46.3	46.9	47.1	46.9	49.2
No of Broadband Internet Subscribers ('000)	491	925	1,329	2,770	4,210	5,850	7,370	9,200
No of Broadband Internet Subscribers/100 Inhabitants	2.30	3.60	5.10	10.40	15.50	21.20	26.40	32.90

e/f = estimate/forecast; Source: ITU, Malaysia Multimedia and Communications Commission, Operator Results

(Source: BMI Malaysia Telecommunications Report Q1 2008)

- **Video-Streaming services:** Video viewing for mobile is projected to be a new growth area where specially created videos are provided and streamed to users for their viewing pleasure through their mobile phones. This is however, different from mobile TV as the content for mobile TV is a direct feed from television content. As such, the company has started R&D into video-streaming services.

  With the growth potential of the Internet and convergence with the Communications technologies, MNC have also put its sights on transforming the company from a mobile-centric provider to a converged digital services company. MNC sees the growth of social networking and social media as a great opportunity to invest in the development of branded **cross-platform community platform and services**. MNC is also aware of the potential for digital advertising services and platforms in relation to the growth in consumers in the country and worldwide.

MNC strongly believes that once its plans are implemented, the company will return to a more stable financial footing with new, diversified and stable revenue streams.

Thank You

The Management Team of MNC Wireless Berhad

The Board is fully committed in maintaining high standards of corporate governance and the effective application of the principles and best practices as set out in the Malaysian Code on Corporate Governance throughout the Group. Good corporate governance is fundamental to the Group's discharge of its corporate responsibilities and accountability to preserve and enhance the shareholders' value of the Group.

The Board is pleased to provide the following statement, which outlines the main corporate governance practices that were in place throughout the financial year with specific reference made to each of the principles of the Malaysian Code of Corporate Governance, Guidance Note 2 on Corporate Governance and the Listing Requirements of the Mesdaq Market.

A. BOARD OF DIRECTORS

The Board is entrusted with the proper stewardship of the Company's resources for the best interest of its shareholders. The members of the Board have extensive experience and expertise in a wide range of industries and have been selected based on their skills, knowledge and their ability to add strength to the leadership.

The Board has overall responsibility for the strategic direction and effective control of the Company. This includes responsibility for determining the Company's strategic direction, financial performance, allocation of resources and the management of internal control systems.

Board Balance and Composition

The Board currently comprises eight (8) members of which two (2) are Executive Directors, three (3) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors.

The current composition is a balance mix of skills, experience and knowledge essential in the capable management and leadership of the Company.

Profile of each Director is set out under Directors' Profile of this Annual Report.

The Executive Directors are directly involved in the development of the Company's business strategies and daily operations whilst the Non-Executive Directors provide independent advice and sound judgment to the deliberation of the Board.

Supply of Information

Notice of meetings, setting out the agenda and accompanied by the relevant Board papers are given to the Directors on a timely manner to enable the Directors to peruse, obtain addition information and/or seek further clarification on the matters to be tabled in the meeting.

The proceedings and resolutions passes at each Board meeting are minuted and kept in the statutory minute book at the registered office of the Company.

Directors have access to all information within the Company whether as full board or in their individual capacity, in furtherance of their duties. In addition, whenever independent professional advice is required by the Directors, outside experts may be engaged at the Company's expenses.

Directors also have direct access to the advice and the services of the Group's Company Secretary. The Board is advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities as well as appropriate procedures for management of meetings.

Board Meeting

Board meetings are held at quarterly intervals with additional meetings held when necessary. There were five (5) Board meetings held within the financial year ended 31 December 2007.

The meeting attendance record of the Directors is as follows:

Directors	Meeting Attendance
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	5/5
Datuk Lee Fook Long	4/5
Lionel Koh Kok Peng	5/5
Lee Sze Inn	3/5
Chung Jaan Hao	5/5
Christopher Micheal Cheow	4/5
Lew Weng Ho	5/5
Ooi Siew Kim (Resigned on 22 February 2008)	3/5

Appointments of the Board and Re-election

A Nomination committee was set up on 20 February 2006 to identify and recommend to the Board suitable nominees for appointment to the Board and Board Committees.

The composition of the Nomination Committee is set out as follows:

Datuk Lee Fook Long	*Chairman, Non-Independent and Non-Executive Director*
Lew Weng Ho	*Member, Independent and Non-Executive Director*

The primary functions of the Nomination Committee are as follows:

- to identify candidates and review all nominations for the appointment or reappointment of members of the Board, and to determine the selection criteria therefore;
- to ensure that all Board appointees undergo an appropriate induction programmes;
- to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to identify the gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps; and
- to assess the effectiveness of the Board as a whole.

In accordance with the Company's Articles of Association, at least one third of the Board shall retire from office and all Directors except the Managing Director, shall retire from office at least once in every three (3) years, but shall be eligible for re-election. A retiring director shall retain office until the close of the meeting at which he/she retires.

Directors' Training

All Directors of the Company have attended and completed the Mandatory Accreditation Programme as prescribed by Bursa Malaysia. The Directors had also attended a briefing for directors and principal officers on their obligations under the MESDAQ Market Listing Rules of Bursa Malaysia. The Directors will continue to participate in other relevant training programmes to further enhance their knowledge to enable them to discharge their responsibilities more effectively.

Amongst the training programmes and seminars attended by the members of the Board in 2007 were:-

1. KPMG Tax Workshop: Weaving through the maze of Withholding tax organised by KPMG Tax Services Sdn Bhd on 16 August 2007;
2. 6th Annual Global 3G Evolution Forum 2007 organised by Marcus Evans from 22 to 25 January 2007.

B. DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee was established on 20 February 2006 with the objective to assist the Board for determining the Directors' remuneration.

The composition of the Remuneration Committee is set out as follows:

Lionel Koh Kok Peng	*Chairman, Non-Independent and Non-Executive Director*
Datuk Lee Fook Long	*Member, Non-Independent and Non-Executive Director*
Christopher Micheal Cheow	*Member, Non-Independent and Non-Executive Director*

The responsibilities of the Remuneration Committee include the following:

- to seek comparative information on remuneration and conditions of services in comparable organizations;
- to review directors' fees to ensure that they are at sufficiently competitive levels;
- to consider severance payments that represent public interest and avoid any inappropriate use of public funds;
- to recommend and advise the Board on the terms of appointment and remuneration of its members; and
- to establish a formal and transparent procedure for developing policy on remuneration packages of individual directors.

Directors' Remuneration

The Directors' remunerations for the financial year ended 31 December 2007 were dealt with by the entire Board. The Executive Directors play no part in determining their own remuneration whilst the Non-Executive Directors abstain from discussion on their own directors' fees.

The details of the Directors' remuneration for the financial year ended 31 December 2007 are as follows:

	Executive Directors RM	Non-Executive Directors RM
Fees	12,000	66,000
Salaries, allowances and bonus	578,000	-
Defined contribution scheme	70,600	-
	660,600	66,000

The numbers of Directors whose remuneration fall into the following bands are as follows:

Range of remuneration	Number of Directors Executive	Number of Directors Non-Executive
RM0 – RM50,000	-	5
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	-	-
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	2	-
	2	5

C. SHAREHOLDERS

The Board recognises the importance of keeping shareholders and investors informed of the Group's business and corporate development. Towards the end, the Board endeavors to make timely disclosure of circulars, quarterly financial results, press release and various announcements on material corporate proposals. Shareholders may obtain the Group's latest corporate news via its interactive website at www.mnc.com.my.

The Annual General Meeting is the principal forum for dialogue with shareholders. The Board provides shareholders with the opportunities to raise questions pertaining to issues in the Annual Report, corporate developments in the Group, the resolutions being proposed and the business of the Group in general at every AGM of the Company.

Where Extraordinary General Meeting is held to obtain shareholders' approval on business or corporate proposals, comprehensive circulars to shareholders are sent within prescribed notice period in accordance with the regulatory and statutory provisions.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors are accountable to ensure that the financial statements are prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to present a balanced and fair assessment of the Group's financial position and prospects.

With the assistance from the Audit Committee, the Board scrutinised the financial aspects of the Audited Financial Statements and reviewed the statutory compliance aspects of the Audited Financial Statements.

Internal Control

The Board acknowledges its overall responsibilities for maintaining a sound system of internal controls to safeguard shareholders' investment and Group's assets. The Statement of Internal Controls is set out on page B15 of the Annual Report providing an overview of the state of internal controls within the Group.

Relationship with Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's auditors, in seeking professional advice and ensuring compliance with the applicable accounting standards and statutory requirements in Malaysia. The Audit Committee has been explicitly accorded the power to communicate directly with both the internal auditors and external auditors.

The role of the Audit Committee in relation to the Auditors is set out in the Audit Committee Report on pages B12 to B14.

Audit Committee Report

The Audit Committee was established in August 2005 to act as committee to the Board.

1. COMPOSITION OF AUDIT COMMITTEE

The present members of the Audit Committee comprising:

Chairman	
Lew Weng Ho	*Independent Non-Executive Director*
Members	
Senator Ooi Siew Kim (Resigned on 22 February 2008)	*Independent Non-Executive Director*
Lee Kam Chun (Appointed on 25 April 2008)	*Independent Non-Executive Director*
Lionel Koh Kok Peng	*Non-Independent Non-Executive Director*

2. TERM OF REFERENCE

A. Composition

The Audit Committee shall be appointed from amongst the Board and shall be no fewer than three (3) members. The majority of the members must be independent directors and at least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved by the Bursa Malaysia. The Chairman of the Audit Committee must be an independent director.

B. Meetings

A minimum of four (4) meetings per year are planned and additional meetings may be called if requested to do so by any members of the committee or external auditors.

A minimum of two (2) members shall form the quorum of which the majority of members present must be independent directors.

C. Rights of the Audit Committee

The Audit Committee shall:

(a) have 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 pertaining to the Group;
(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
(e) have the right to obtain independent professional or other advice at the Company's expense;
(f) have the right to convene meetings with the external auditors, excluding the attendance of the executive members of the audit committee, whenever deemed necessary; and
(g) promptly report to the Bursa Malaysia, or such other name(s) as may be adopted by Bursa Malaysia, matters which have not been satisfactorily resolved by the Board resulting in a breach of the listing requirements.

D. Duties and Responsibilities

The duties and responsibilities of the Audit Committee include the following:

(a) To review with the external auditors on:
- the audit plan, its scope and nature;
- the audit report;
- the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
- the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.

(b) To review the adequacy of the scope, functions and resources and set the standards of the internal audit function.

(c) To provide assurance to the Board of Directors on the effectiveness of the system of internal control and risk management practices of the Group.

(d) To review 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) To review with management:
- audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
- interim financial information; and
- the assistance given by the officers of the Company to external auditors.

(f) To monitor related party transactions and conflicts of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(g) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:
- changes in or implementation of major accounting policy and practices;
- significant and / or unusual matters arising from the audit;
- the going concern assumption;
- compliance with accounting standards and other legal requirements; and
- major areas.

(h) To consider the appointment and/or re-appointment of auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.

(i) To verify any allocation of options in accordance with the employees' share option scheme of the Company, at the end of the financial year.

3. SUMMARY OF ACTIVITIES UNDERTAKEN

There were five (5) Audit Committee meetings held during the financial year ended 31 December 2007, which were attended by all members.

During the financial year, the Audit Committee has carried out its duties and responsibilities in accordance with the terms of reference. This includes the review of the quarterly financial results and the terms of reference for the Audit Committee prior to the submission to the Board for consideration and approval.

During the financial year under review, the activities undertaken by the Committee includes:-

(a) Reviewed the unaudited quarterly results of the Company including the announcements pertaining thereto, before recommending to the Board of Directors for their approval and release of the Group's results to Bursa Malaysia Securities Berhad;
(b) Reviewed with external auditors on their audit planning memorandum of the Group for the financial year ended 31 December 2007;
(c) Reviewed with external auditors on the results and issues arising from their audit of the financial year end statements and their resolutions of such issues highlighted in their report to the Audit Committee;
(d) Reviewed related party transactions and considered conflict of interest situations that may arise within the Group; and
(e) Reviewed with the outsourced internal auditors, the internal audit charter and internal audit plan of the Group.

4. REVIEW OF EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

During the financial year, the Company did not allocate or grant any share options to eligible employees pursuant to the Company's ESOS. Nevertheless, the Audit Committee has reviewed the allocation of share options granted in prior years and noted that they were made in accordance with the criteria set out in the by-laws of the Company's ESOS.

5. INTERNAL AUDIT FUNCTION

The Board out sources its internal audit function to a professional consulting firm which provide support to the Audit Committee in monitoring and managing risks and internal control systems of the Group.

The main responsibilities of the internal auditors are:

- Perform audit work in accordance with the pre-approved internal audit plan;
- Carry out review on the system of internal controls of the Group;
- Review and comment on the effectiveness and adequacy of the existing control policies and procedures;
- Provide recommendations, if any, for the improvement of the control policies and procedures.

All internal auditors' reports are deliberated by the Audit Committee and recommendations made to the Board and/or the management are acted upon.

Further details of the activities of the internal audit function are set out in the Statement of Internal Control on page B15 of the Annual Report.

Introduction

The Malaysian Code on Corporate Governance requires the directors of listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Board is pleased to present this Statement on Internal Control which outlines the state, nature and scope of internal controls of the Group during the financial year.

Responsibility

The Board recognises the importance of a sound system of internal control and risk management in safeguarding shareholders' investments and the Group's assets. The Board acknowledges its overall responsibility for the Group's system of internal control which includes the establishment of an appropriate control environment as well as reviewing its adequacy and integrity.

However, due to the inherent limitations that exist in any system of internal controls, the system of internal control within the Group is designed to manage rather than eliminate the risk of failure to meet its corporate objectives. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatements, losses or fraud.

Risk Management

The Board recognises that the management of principal risks plays an important and integral part of the Group's daily operation and that the identification and the management of such risks will affect the achievement of the Group's corporate objectives.

The Group has in place an ongoing process for identifying, evaluating, monitoring and managing significant risks faced by the Group throughout the financial year up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the management and reported to the Board as and when required and with the assistance of internal audit unit to further review and improve the existing risk management processes within the Group, it accords with the Internal Control Guidance.

Internal Audit Function

The Board has outsourced its internal audit function to an independent professional service firm, in order to assist the Audit Committee in discharging their duties with regards to the adequacy and integrity of the system of internal controls within the Group.

Key Elements of Internal Control

The following key elements of a system of internal control are present in the Group:

- The Group has in place an organizational structure that supports business and operational requirements, with clearly defined levels of responsibilities, lines of accountability and delegated authority with appropriate reporting procedures.
- The Executive Directors are involved in the day-to-day business operations of the Group. Scheduled management meetings are held regularly to identify, discuss and resolve business and operational issues.
- The Group has in place a strategic business planning process where the financial planning is correlated to the Group's strategic business plans. Financial performance is regularly compared against budgetary parameters, with explanations of major variances, reviews of internal and external factors contributing to performance, and an account of management actions taken to improve results.
- An established system of performance appraisal has been developed to constantly monitor and maintain good performance standards from employees.

Effectiveness of Internal Control

The Board is of the view that the existing system of internal control is sound and adequate for the current level of operation. There were no significant weaknesses in the system of internal control of the Group that may have a material impact on the operations of the Group for the financial year ended 31 December 2007. The Board will continue to take necessary measures to strengthen and improve its internal control structure.

Additional Compliance Information

1. Utilisation of Proceeds from Initial Public Offer

The status of the utilisation of the proceeds raised from its Initial Public Offer pursuant to the listing of the Company on the MESDAQ Market of Bursa Securities as at 31 December 2007 is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation** RM'000	%	Explanations
Purchase of new equipment	1,580	(1,580)	-	-	
Working capital	1,200	(1,200) [(1)]	-	-	
Overseas expansion	1,500	(1,500)	-	-	
Research and development	2,100	(1,975)	125	6.0	*
Estimated listing expenses	1,300	(1,300)	-	-	
Total	**7,680**	**(7,555)**	**125**	**1.6**	

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

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

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

2. Share Buy-Back

During the financial year under review, the Company did not carry out any share buy-back transactions.

3. Options, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year under review.

4. American Depository Receipt (ADR) or Global Depository Receipt (GDR)

The Company did not sponsor any ADR or GDR programme during the financial year under review.

5. Sanctions and/or Penalties

During the financial year under review, there were no sanctions or penalties imposed on the Company and its subsidiary, Directors or Management by the relevant regulatory bodies.

6. Non-Audit Fees

There was no non-audit fee paid by the Group to the external auditors for the financial year under review.

7. Variations in Results

There were no significant variations between the audited results for the financial year and the unaudited results previously announced.

8. Profit Guarantee

The Group did not issue any profit guarantee during the financial year under review.

9. Material Contracts

During the financial year under review, there were no materials contracts entered into by the Company and its subsidiary which involved Directors or substantial shareholders' interests.

10. Corporate Social Responsibility

During the financial year under review, the Group did not undertake any corporate social activity. Moving forward, the Group intends to conduct some CSR activity for year 2008.

11. Recurrent Related Party Transactions Statements

The list of significant related party transactions is disclosed in the [Note 27] to the Financial Statements.

12. Properties

The Group does not hold any property during the financial year under review. The premises of the head office and satellite offices were leased.

Statement of Directors' Responsibilities

The Directors are required by the Companies Act 1965, to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards in Malaysia, which give a true and fair view of the financial position of the Group and of the Company at the end of each financial year and of the results and cash flows of the Group and the Company for each financial year.

In preparing these financial statements, the Directors have considered the following:-
- that appropriate accounting policies have been adopted and applied consistently;
- that reasonable and prudent judgements and estimates were made; and
- that the approved accounting standards in Malaysia have been applied.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

The Directors have overall responsibilities for taking reasonable steps to safeguard the assets of the Group and of the Company, to prevent and detect fraud and any irregularities.

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Analysis of Shareholdings
As at 14 April 2008

Authorised Share Capital	:	RM25,000,000 comprising of 250,000,000 ordinary shares of RM0.10 each
Issued and Paid-Up Share Capital	:	RM9,447,350 comprising of 94,473,500 ordinary shares of RM0.10 each
Class of Shares	:	Ordinary shares of RM0.10 each
Voting Rights	:	Every member of the Company, present in person or by proxy, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share held
Number of shareholders	:	1033

Analysis of Shareholdings

Holdings	No. of holders	Total holdings	Percentage (%)
1 – 99	5	200	0.00
100 – 1,000	574	122,400	0.13
1,001 – 10,000	244	1,408,500	1.49
10,001 – 100,000	166	5,480,700	5.80
100,001 – 4,723,674	42	31,261,745	33.09
Above 4,723,675	2	56,199,955	59.49
TOTAL	**1,033**	**94,473,500**	**100.00**

Substantial Shareholdings (Holding 5% or More of the Share Capital)

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Monaxis Sdn Bhd	37,249,955	39.43	0	0
Datuk Lee Fook Long	0	0	37,249,955[1]	39.43
Lionel Koh Kok Peng	4,095,345	4.33	37,249,955[1]	39.43
OSK Technology Ventures Sdn Bhd	18,950,000	20.06	0	0
OSK Ventures International Berhad	0	0	18,950,000[2]	20.06
OSK Holdings Berhad	0	0	18,950,000[3]	20.06
Ong Leong Huat @ Wong Joo Hwa	0	0	18,950,000[4]	20.06

Notes:-
1 Deemed interested by virtue of his shareholding in Monaxis Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
2 Deemed interested by virtue of its shareholding in OSK Technology Ventures Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
3 Deemed interested by virtue of its shareholding in OSK Ventures International Berhad pursuant to Section 6A of the Companies Act, 1965.
4 Deemed interested by virtue of his shareholding in OSK Holdings Berhad pursuant to Section 6A of the Companies Act, 1965.

List of Directors' Interest

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Datuk Lee Fook Long	0	0	37,249,955[1]	39.43
Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir	0	0	0	0
Lee Sze Inn	2,980,800	3.16	0	0
Chung Jaan Hao	3,088,200	3.27	0	0
Lionel Koh Kok Peng	4,095,345	4.33	37,249,955[1]	39.43
Christopher Micheal Cheow	2,991,300	3.17	0	0
Lew Weng Ho	0	0	0	0
Lee Kam Chun	3,339,000	3.53	0	0

Notes:-
1 Deemed interested by virtue of his shareholding in Monaxis Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

List of Thirty (30) Largest Registered Shareholders

	Name	No. of shares held	Percentage (%)
1.	Monaxis Sdn Bhd	37,249,955	39.43
2.	OSK Technology Ventures Sdn Bhd	18,950,000	20.06
3.	Lee Kam Chun	3,289,000	3.48
4.	HDM Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lionel Koh Kok Peng (M09)*	3,218,469	3.41
5.	Chung Jaan Hao	3,088,200	3.27
6.	Christopher Micheal Cheow	2,990,300	3.17
7.	Lee Sze Inn	2,980,700	3.16
8.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for OSK-UOB Growth and Income Focus Trust (4892)*	2,292,000	2.43
9.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for OSK-UOB Emerging Opportunity Unit Trust (4611)*	1,725,700	1.83
10.	Ke-Zan Nominees (Tempatan) Sdn Bhd *Pledged Securities Accounts for Heng Guan Seng*	1,150,000	1.22
11.	Tan Hui San	1,005,700	1.06
12.	Lionel Koh Kok Peng	876,876	0.93
13.	Lim Leng Na	677,200	0.72
14.	Lim Hun Swee	578,400	0.61
15.	Teh Eng Joo	532,700	0.56
16.	DB (Malaysia) Nominee (Asing) Sdn Bhd *BNP Paribas Nominees Singapore Pte Ltd for Eurobumi Investments Ltd*	500,000	0.53
17.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for TMT Focus Fund (3951)*	452,800	0.48
18.	Loh Teck Yen	400,000	0.42
19.	Loh Teck Yen	400,000	0.42
20.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Yik Chee Lim (MY0055)*	385,500	0.41
21.	Phoo Keng Hui	334,600	0.35
22.	Sivalingam A/L Veluppillai	326,000	0.35
23.	Ng Meng Meng	307,300	0.33
24.	Wie Hock Beng	300,000	0.32
25.	Lee Chai Eng	280,500	0.30
26.	Kuan Kah Kok	269,700	0.29
27.	Woo Kok Leong	268,500	0.28
28.	Tan Ai Tong	238,800	0.25
29.	Irving James Marshall De Silva	228,000	0.24
30.	Kenanga Nominees (Asing) Sdn Bhd *Exempt an for Phillip Securities Pte Ltd (Client Account)*	181,400	0.19
	Total	**85,478,300**	**90.48**

MNC

annual report 2007

Financial Statements

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

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of carrying out sales and marketing, and research and development of wireless, mobile and multimedia solutions and content and investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP RM	THE COMPANY RM
Loss for the financial year attributable to the equity holders of the Company	(1,347,059)	(790,563)

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised and issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The ESOS is governed by the by-laws approved by the shareholders on 27 August 2005. The ESOS was implemented on 17 October 2005 and is to be in force for a period of 5 years from the date of implementation.

The movement in the options to subscribe for new ordinary shares of RM0.10 each at an exercise price of RM0.32 per share is as follows:-

	OPTION TO SUBSCRIBE FOR ORDINARY SHARES OF RM0.10 EACH
At 1 January 2007	3,644,500
Cancellation due to staff resignations during the financial year	(505,000)
At 31 December 2007	3,139,500

Exemption has been granted by the Companies Commission of Malaysia for the non-disclosure of the names of eligible employees who have been granted options below 1,000,000 units.

The details of options granted to Directors are shown under Directors' Interests.

The main features of the ESOS are as follows:-

(a) eligible employees are such employees and Directors of the Group as at the Offer Date who:-

  (i) have attained the age of eighteen (18) years;

  (ii) either:-

    (a) in the case of the employee, is classified as an "employee" based on the terms of the employment letter issued by the Company and is not a member of any trade union; or

    (b) in the case of the Director, the name appears in the Company's register of directors.

(b) the total number of shares to be offered under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS which shall be in force for a period of five (5) years expiring 16 October 2010;

(c) the allocation for any eligible employee during the existence of the ESOS shall not exceed fifty percent (50%) in aggregate of new shares available under the ESOS for Directors and the Group's senior management and shall not exceed ten percent (10%) of new shares available under the ESOS for any individual employee as defined under (a)(ii)(a);

EMPLOYEE SHARE OPTION SCHEME ("ESOS") (CONT'D)

(d) the option price shall be set at a discount of not more than ten percent (10%) of the weighted average market price of the shares as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer, subject to the proviso that the option price per new share shall in no event be less than the par value of the share; and

(e) the new shares to be allotted upon the exercise of any option will upon allotment rank pari passu in all respects with the existing issued and paid-up shares of the Company except that the new shares allotted under the ESOS will not rank for any dividends, rights, allotment or distributions declared, made or paid prior to the date of exercise of the option.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would further require the writing off of bad debts, or the additional allowance for doubtful debts in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial 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 financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The financial statements of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the financial statements of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows:-

TAN SRI DATUK SERI PANGLIMA ABDUL KADIR BIN HAJI SHEIKH FADZIR
DATUK LEE FOOK LONG
LEE SZE INN
CHUNG JAAN HAO
LIONEL KOH KOK PENG
CHRISTOPHER MICHEAL CHEOW
LEW WENG HO
SENATOR OOI SIEW KIM (Resigned on 22 February 2008)
LEE KAM CHUN (Appointed on 25 April 2008)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company during the financial year are as follows:-

	NUMBER OF ORDINARY SHARES OF OF RM0.10 EACH			
	AT 1.1.2007	BOUGHT	SOLD	AT 31.12.2007
Direct Interests:-				
LEE SZE INN	2,981,000	-	-	2,981,000
CHUNG JAAN HAO	3,088,200	-	-	3,088,200
LIONEL KOH KOK PENG	4,095,345	-	-	4,095,345
CHRISTOPHER MICHEAL CHEOW	2,991,300	-	-	2,991,300
Indirect Interests:-				
DATUK LEE FOOK LONG*	37,249,955	-	-	37,249,555
LIONEL KOH KOK PENG*	37,249,955	-	-	37,249,555

* *Deemed interested by virtue of his shareholding in Monaxis Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*

	NUMBER OF ORDINARY SHARES OF OF RM0.32 EACH UNDER OPTION		
	AT 1.1.2007	EXERCISED	AT 31.12.2007
LEE SZE INN	950,000	-	950,000
CHUNG JAAN HAO	1,350,000	-	1,350,000

By virtue of their interests in shares in the Company, Datuk Lee Fook Long and Lionel Koh Kok Peng are deemed to have interests in the shares in the subsidiaries and its related corporation to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965.

Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Lew Weng Ho and Senator Ooi Siew Kim did not have any interest in shares in the Company during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which the director has a substantial financial interest as disclosed in Note 27 to the financial statements.

DIRECTORS' BENEFITS (CONT'D)

Neither during nor at the end of the financial year was the Company or its subsidiaries a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Horwath have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 29 APRIL 2008

Lionel Koh Kok Peng

Lee Sze Inn

Statement by Directors

We, Lionel Koh Kok Peng and Lee Sze Inn, being two of the directors of M N C Wireless Berhad, state that, in the opinion of the directors, the financial statements set out on pages C9 to C46 are drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of their results and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 29 APRIL 2008

Lionel Koh Kok Peng **Lee Sze Inn**

Statutory Declaration

I, Yap Ying Ying, I/C No. 760307-03-5390, being the officer primarily responsible for the financial management of M N C Wireless Berhad, do solemnly and sincerely declare that the financial statements set out on pages C9 to C46 are, to the best of my knowledge and belief, 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
Yap Ying Ying, I/C No. 760307-03-5390,
at Klang in the state of Selangor
Darul Ehsan on 29 April 2008.

Yap Ying Ying

Before Me

Goh Cheng Teak (No. B204)
Commissioner For Oaths

MNC

Report of the Auditors

to the Members of M N C Wireles Berhad (Company No: 635884-T)

We have audited the financial statements set out on pages C9 to C46. The preparation of the financial statements is 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 approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

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

(i) the state of affairs of the Group and of the Company at 31 December 2007 and of its results and cash flows for the financial year ended on that date; and

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

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary audited by us have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and auditors' report of the subsidiary of which we have not acted as auditors, as indicated in Note 6 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements 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 as 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 made under Section 174(3) of the Companies Act, 1965.

Horwath
Firm No : AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No : 1772/11/08 (J/PH)
Partner

Kuala Lumpur
29 April 2008

Balance Sheets
At 31 December 2007

	NOTE	THE GROUP 2007 RM	THE GROUP 2006 RM	THE COMPANY 2007 RM	THE COMPANY 2006 RM
ASSETS					
NON-CURRENT ASSETS					
Investment in subsidiaries	6	-	-	2,240,546	2,240,546
Investment in associate	7	1,663,773	-	1,850,488	-
Plant and equipment	8	1,426,014	1,887,300	1,045,866	1,355,352
Product development expenditure	9	2,668,383	2,277,678	2,668,383	2,277,678
Intangible assets	10	841,500	943,500	841,500	943,500
		6,599,670	5,108,478	8,646,783	6,817,076
CURRENT ASSETS					
Trade receivables	11	1,591,423	3,651,730	587,652	1,177,209
Other receivables, deposits and prepayments		540,555	423,651	360,563	193,589
Amount owing by subsidiaries	12	-	-	16,028	938,095
Amount owing by associate	13	149,022	-	149,022	-
Tax refundable		45,926	45,797	1,164	1,035
Short term deposits with a licensed bank	14	5,217,320	5,060,118	5,217,320	5,060,118
Cash and bank balances		2,044,029	3,378,310	1,585,590	3,216,282
		9,588,275	12,559,606	7,917,339	10,586,328
TOTAL ASSETS		16,187,945	17,668,084	16,564,122	17,403,404
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	9,447,350	9,447,350	9,447,350	9,447,350
Share premium	16	2,231,412	2,231,412	2,231,412	2,231,412
Retained profits	17	2,832,703	4,179,762	3,405,647	4,196,210
TOTAL EQUITY AND BALANCE CARRIED FORWARD		14,511,465	15,858,524	15,084,409	15,874,972

The annexed notes form an integral part of these financial statements.

	NOTE	THE GROUP 2007 RM	THE GROUP 2006 RM	THE COMPANY 2007 RM	THE COMPANY 2006 RM
BALANCE BROUGHT FORWARD		14,511,465	15,858,524	15,084,409	15,874,972
CURRENT LIABILITIES					
Trade payables	18	1,472,543	1,266,451	1,228,300	1,098,591
Other payables and accruals	19	203,937	543,109	136,263	429,841
Amount owing to subsidiary	12	-	-	115,150	-
		1,676,480	1,809,560	1,479,713	1,528,432
TOTAL LIABILITIES		1,676,480	1,809,560	1,479,713	1,528,432
TOTAL EQUITY AND LIABILITIES		16,187,945	17,668,084	16,564,122	17,403,404
NET ASSETS PER SHARE	20	15.4 sen	16.8 sen		

The annexed notes form an integral part of these financial statements.

Income Statements

For the financial year ended 31 December 2007

		THE GROUP		THE COMPANY	
		2007	2006	2007	2006
	NOTE	RM	RM	RM	RM
REVENUE	21	8,947,565	9,854,293	7,283,717	8,621,845
COST OF SALES		(4,563,894)	(4,245,836)	(3,560,046)	(3,786,392)
GROSS PROFIT		4,383,671	5,608,457	3,723,671	4,835,453
OTHER OPERATING INCOME		418,119	-	261,013	-
SALES AND DISTRIBUTION EXPENSES		(1,025,344)	(1,474,867)	(787,225)	(1,253,524)
ADMINISTRATIVE AND OTHER OPERATING EXPENSES		(5,118,502)	(6,071,151)	(4,169,734)	(4,776,810)
LOSS FROM OPERATIONS		(1,342,056)	(1,937,561)	(972,275)	(1,194,881)
INVESTMENT INCOME		181,583	225,223	181,583	179,035
SHARE OF LOSS IN ASSOCIATE		(186,715)	-	-	-
LOSS BEFORE TAXATION	22	(1,347,188)	(1,712,338)	(790,692)	(1,015,846)
TAXATION	23	129	31,315	129	(16,120)
LOSS FOR THE FINANCIAL YEAR		(1,347,059)	(1,681,023)	(790,563)	(1,031,966)
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(1,347,059)	(1,681,023)	(790,563)	(1,031,966)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:					
- BASIC	24	(1.43 sen)	(1.78 sen)		
- DILUTED	24	(1.43 sen)	(1.78 sen)		

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2007

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
	NON-DISTRIBUTABLE		DISTRIBUTABLE	
	SHARE CAPITAL	SHARE PREMIUM	RETAINED PROFITS	TOTAL EQUITY
THE GROUP	RM	RM	RM	RM
Balance at 1.1.2006	9,424,350	2,180,812	5,860,785	17,465,947
Issue of ordinary shares pursuant to ESOS	23,000	50,600	-	73,600
Loss for the financial year	-	-	(1,681,023)	(1,681,023)
Balance at 31.12.2006/1.1.2007	9,447,350	2,231,412	4,179,762	15,858,524
Loss for the financial year	-	-	(1,347,059)	(1,347,059)
Balance at 31.12.2007	9,447,350	2,231,412	2,832,703	14,511,465
THE COMPANY				
Balance at 1.1.2006	9,424,350	2,180,812	5,228,176	16,833,338
Issue of ordinary shares pursuant of ESOS	23,000	50,600	-	73,600
Loss for the financial year	-	-	(1,031,966)	(1,031,966)
Balance at 31.12.2006/1.1.2007	9,447,350	2,231,412	4,196,210	15,874,972
Loss for the financial year	-	-	(790,563)	(790,563)
Balance at 31.12.2007	9,447,350	2,231,412	3,405,647	15,084,409

The annexed notes form an integral part of these financial statements.

Cash Flow Statements

For the financial year ended 31 December 2007

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Loss before taxation	(1,347,188)	(1,712,338)	(790,692)	(1,015,846)
Adjustments for:-				
Allowance for doubtful debts	-	434,896	-	261,013
Amortisation of intangible assets	102,000	76,500	102,000	76,500
Amortisation of product development expenditure	1,489,984	1,271,498	1,489,984	1,271,498
Bad debts written off	39,838	1,700	-	-
Depreciation of plant and equipment	597,372	538,110	475,931	411,283
Loss on disposal of plant and equipment	32,984	-	6,681	-
Plant and equipment written off	2,993	117	-	-
Share of loss in associate	186,715	-	-	-
Allowance for doubtful debts no longer required	(418,000)	-	(261,013)	-
Interest income	(181,583)	(225,223)	(181,583)	(179,035)
Operating profit before working capital changes	505,115	385,260	841,308	825,413
Decrease in trade and other receivables	2,321,565	3,222,030	683,596	681,539
Decrease in trade and other payables	(133,080)	(3,010,267)	(163,869)	(3,182,033)
CASH FROM/(FOR) OPERATIONS	2,693,600	597,023	1,361,035	(1,675,081)
Tax refunded	-	33,329	-	-
Tax paid	-	(53,483)	-	(20,155)
NET CASH FROM/(FOR) OPERATING ACTIVITIES AND BALANCE CARRIED FORWARD	2,693,600	576,869	1,361,035	(1,695,236)

The annexed notes form an integral part of these financial statements.

Cash Flow Statements

For the financial year ended 31 December 2007 (cont'd)

		THE GROUP		THE COMPANY	
	NOTE	2007 RM	2006 RM	2007 RM	2006 RM
BALANCE BROUGHT FORWARD		2,693,600	576,869	1,361,035	(1,695,236)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Interest received		181,583	225,223	181,583	179,035
Investment in associate		(1,850,488)	-	(1,850,488)	-
Investment in a subsidiary		-	-	-	(5)
Purchase of plant and equipment		(211,138)	(594,665)	(201,208)	(586,569)
Purchase of intellectual property		-	(1,020,000)	-	(1,020,000)
Proceeds from disposal of plant and equipment		39,075	-	28,082	-
Product development expenditure incurred		(1,880,689)	(1,782,574)	(1,880,689)	(1,782,574)
NET CASH FOR INVESTING ACTIVITIES		(3,721,657)	(3,172,016)	(3,722,720)	(3,210,113)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Advance to associate		(149,022)	-	(149,022)	-
Net advances from subsidiaries		-	-	1,037,217	5,904,203
Proceeds from issuance of shares		-	73,600	-	73,600
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(149,022)	73,600	888,195	5,977,803
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,177,079)	(2,521,547)	(1,473,490)	1,072,454
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		8,438,428	10,959,975	8,276,400	7,203,946
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	25	7,261,349	8,438,428	6,802,910	8,276,400

The annexed notes form an integral part of these financial statements.

1. GENERAL INFORMATION

The Company is incorporated in Malaysia under the Malaysian Companies Act, 1965. It is a public company limited by shares and is domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	C-15-1, Level 15, Tower C, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur.
Principal place of business	:	No. 45, Block A, Level 3, Unit 3.03, Medan Setia 1, Plaza Damansara, Bukit Damansara, 50490 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 29 April 2008.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of carrying out sales and marketing, and research and development of wireless, mobile and multimedia solutions and content and investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign exchange risk on transactions and balances that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is disclosed in the respective notes to the financial statements.

In respect of other monetary assets and liabilities held in foreign currencies, the Group carries out reviews periodically to ensure that the net exposure is kept at an acceptable level.

3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (cont'd)

(ii) Interest Rate Risk

Interest-bearing financial assets are mainly bank balances and fixed deposits which are short-term in nature and as such any future variation in interest rates will not have any material impact on the results of the Group.

(iii) Price Risk

The Group does not have any quoted investments and hence is not exposed to price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group's concentration of credit risk related to debts owing by three customers which constituted approximately 65% of the Group's outstanding trade receivables at the end of current financial year.

The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

(c) Liquidity and Cash Flow Risks

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

4. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

4. BASIS OF PREPARATION (CONT'D)

During the current financial year, the Group and the Company has adopted the following new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") which are relevant to its operations:-

(a) FRSs issued and effective for financial periods beginning on or after 1 October 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

(b) FRSs issued and effective for financial periods beginning on or after 1 January 2007:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 119_{2004}	Amendment to FRS 119_{2004} Employees Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The effects of adopting FRS 124 on the accounting policies are disclosed in Note 27 of the financial statements.

The adoption of FRS 117, FRS 6 and Amendment to FRS 119_{2004} are not relevant to the Group's and the Company's operations.

Framework for the Preparation and Presentation of Financial Statements has been issued and is effective immediately. This Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not an MASB approved accounting standard and hence, does not define standards for any particular measurement or disclosure issue. The Group and the Company have applied this Framework from the financial year ended 31 December 2007 onwards.

The Group and the Company have not adopted FRS 139 - Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 as the effective date is deferred to a date to be announced by the MASB. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.

The following FRSs have been issued and are effective for financial periods beginning or after 1 July 2007 and will be effective for the Group's and the Company's financial statements for the financial year ending 31 December 2008:-

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

4. BASIS OF PREPARATION (CONT'D)

The above FRSs align the MASB's FRS with the equivalent International Accounting Standards ('IASs'), both in terms of form and content. The adoption of these standards will only impact the form and content of disclosures presented in the financial statements. The Group and the Company will apply these FRSs from the financial year ending 31 December 2008 onwards.

FRS 134 - Interim Financial Reporting has been issued and is effective for the financial periods beginning on or after 1 July 2007. This FRS aligns the MASB's FRS with the equivalent IAS, both in terms of form and content. The adoption of this standard will only impact the form and content of disclosures presented in the quarterly financial statements. The Group and the Company will apply this FRS from the financial year ending 31 December 2008 onwards.

Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates Net Investment in a Foreign Operation has been issued and is effective for financial periods beginning on or after 1 July 2007. The amendments resulted in exchange differences arising from a monetary item that forms part of the group's net investment in a foreign operation to be recognised in equity irrespective of the currency in which the monetary item is denominated and whether the monetary item results from a transaction with the entity or any of its subsidiaries. Previously, exchange differences arising from such transactions between the entity and its subsidiaries would be accounted for in the income statement or in equity depending on the currency of the monetary item. The Group and the Company will apply this amendment from the financial year ending 31 December 2008 onwards.

IC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation addresses the effects of events that changes the measurement of an existing decommissioning, restoration or similar liability, namely a change in the estimated outflow of resources embodying economic benefits required to settle the obligation, a change in the current market-based discount rate as defined in paragraph 48 of FRS 137_{2004} and an increase that reflects the passage of time. This interpretation is not relevant to the Group's and the Company's operations.

IC Interpretation 2 - Members' Shares in Co-operative Entities and Similar Instruments has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Fund has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group and the Company's operations.

IC Interpretation 7 - Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

4. BASIS OF PREPARATION (CONT'D)

IC Interpretation 8 - Scope of FRS 2 has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation applies to transactions in which goods or services are received, including transactions in which the entity cannot identify specifically some or all of the goods or services received. Where the fair value of the share-based payment is in excess of the identifiable goods or services received, it is presumed that additional goods or services have been or will be received. The whole fair value of the share-based payment will be charged to the income statement. The Group and the Company will apply this interpretation from the financial year ending 31 December 2008 onwards.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Depreciation of Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxed will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates And Judgements (cont'd)

(iii) Impairment of Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Amortisation of Development Costs

Changes in the expected level of usage and technological development could impact the economic useful lives therefore future amortisation charges could be revised.

(v) Allowance for Doubtful Debts of Receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vi) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

(b) Financial Instruments

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

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 an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial Instruments (cont'd)

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.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(c) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2007.

A subsidiary is defined as a company in which the Company has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the purchase method. Under the purchase method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interests in the consolidated balance sheets consist of the minorities' share of fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the minorities' share of movements in the acquiree's equity.

Minority interests are presented in the consolidated balance sheet of the Group within equity, separately from the Group's equity holders, and are separately disclosed in the consolidated income statement of the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the assets becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Computer and related equipment	20% - 40%
Furniture, fittings and office equipment	10%
Renovation	20%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date 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 the plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

(e) Impairment of Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and its value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investments

(i) Subsidiaries

Investments in subsidiaries are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investment in subsidiaries, the difference between the net disposal proceeds and its carrying amount of the investments is taken to the income statement.

(ii) 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 net 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.

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 associate, 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. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

Investments in associates are stated at cost less impairment losses.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investments (cont'd)

(ii) Associates (cont'd)

On the disposal of such investments, the differences between the net disposal proceeds and their carrying amounts are included in the income statement.

(g) Product Development Expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that expenditure incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

(i) its ability to measure reliably the expenditure attributable to the asset under development;

(ii) the product or process is technically and commercially feasible;

(iii) its future economic benefits are probable;

(iv) its ability to use or sell the developed assets; and

(v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised product development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent periods.

Amortisation is calculated under the straight-line method to write off product development expenditure over three years. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

(h) Intangible Assets

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. An entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. An intangible asset shall be measured initially at cost.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Intangible Assets (cont'd)

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

(i) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(j) 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.

(k) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Income Taxes

Income taxes for the year comprise 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 or substantially enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of acquiree's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the 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 assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are 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 the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(m) Segmental Information

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of plant and equipment (net of accumulated depreciation, where applicable), other investments, inventories, receivables and cash and bank balances.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Segmental Information (cont'd)

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities and borrowings from financial institutions.

Segment revenue, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

(n) Functional and Foreign Currency

(i) Functional and Presentation Currency

The functional currency of each of the Group's entity is measured using the currency of the primary economic environment in which the Company operates.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the parent's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currency are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Transactions in foreign currency are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

(iii) Foreign Operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated to RM for consolidation at the rates of exchange ruling at the balance sheet date. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. Exchange differences arising on translation are recognised directly in equity. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

5. **SIGNIFICANT ACCOUNTING POLICIES** (CONT'D)

(o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(p) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(iii) Share-based Payment

At grant date, the fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

(q) Revenue Recognition

(i) Services Rendered

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(ii) Sale of goods

Revenue is recognised upon the delivery of goods and customers' acceptance, and where applicable, net of sales tax, returns and trade discounts.

(iii) Interest Income

Interest income is recognised on an accrual basis.

6. INVESTMENT IN SUBSIDIARIES

	THE COMPANY 2007 RM	THE COMPANY 2006 RM
Unquoted shares, at cost	2,240,546	2,240,546

Details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2007	Effective Equity Interest 2006	Principal Activities
M N C Consulting Sdn. Bhd.	Malaysia	100%	100%	Consultation, sales, marketing and implementation of m-business solution for business to business and business to consumer enterprise applications and the management of content resources for business to business and business to consumer enterprise applications.
M N C Wireless Pte. Ltd.#	Singapore	100%	100%	Dormant.

 # - not audited by Messrs. Horwath.

7. INVESTMENT IN ASSOCIATE

	THE GROUP 2007 RM	THE GROUP 2006 RM
Unquoted shares, at cost*	1,850,488	-
Share of post acquisition loss	(186,715)	-
	1,663,773	-

* Included in the cost of investment in associate is goodwill arising from acquisition amounting to RM1,506,986.

7. INVESTMENT IN ASSOCIATE (CONT'D)

Details of the associate, which is incorporated in Singapore, are as follow:-

Name of Company	Effective Equity Interest 2007	Effective Equity Interest 2006	Principal Activities
Nexgen Studion Pte. Ltd.#	35%	-	Provision of services on internet networking and online internet games.

- not audited by Messrs. Horwath.

The summarised financial information of the associate is as follows:-

	2007 RM	2006 RM
Assets and liabilities		
Currents assets	419,188	-
Non-current assets	535,586	-
Total assets	954,774	-
Current liabilities	506,044	-
Results		
Revenue	479,349	-
Loss for the financial year	(536,282)	-

8. PLANT AND EQUIPMENT

THE GROUP	NET CARRYING AMOUNT AT 1.1.2007 RM	ADDITIONS RM	DISPOSALS/ WRITTEN OFF RM	DEPRECIATION CHARGE RM	NET CARRYING AMOUNT AT 31.12.2007 RM
Computers and related equipment	1,419,503	187,993	(41,700)	(505,864)	1,059,932
Furniture, fittings and office equipment	407,757	23,145	(33,352)	(55,987)	341,563
Renovation	60,040	-	-	(35,521)	24,519
Total	1,887,300	211,138	(75,052)	(597,372)	1,426,014

8. PLANT AND EQUIPMENT (CONT'D)

AS AT 31.12.2007	COST RM	ACCUMULATED DEPRECIATION RM	NET CARRYING AMOUNT RM
Computers and related equipment	2,355,620	(1,295,688)	1,059,932
Furniture, fittings and office equipment	547,181	(205,618)	341,563
Renovation	182,701	(158,182)	24,519
Total	3,085,502	(1,659,488)	1,426,014

AS AT 31.12.2006	COST RM	ACCUMULATED DEPRECIATION RM	NET CARRYING AMOUNT RM
Computers and related equipment	2,566,852	(1,147,349)	1,419,503
Furniture, fittings and office equipment	571,400	(163,643)	407,757
Renovation	182,701	(122,661)	60,040
Total	3,320,953	(1,433,653)	1,887,300

THE COMPANY	NET CARRYING AMOUNT AT 1.1.2007 RM	ADDITIONS RM	DISPOSAL RM	DEPRECIATION CHARGE RM	NET CARRYING AMOUNT AT 31.12.2007 RM
Computer and related equipment	1,340,897	187,993	(34,763)	(473,509)	1,020,618
Furniture, fittings and office equipment	14,455	13,215	-	(2,422)	25,248
Total	1,355,352	201,208	(34,763)	(475,931)	1,045,866

8. PLANT AND EQUIPMENT (CONT'D)

AS AT 31.12.2007	COST RM	ACCUMULATED DEPRECIATION RM	NET CARRYING AMOUNT RM
Computers and related equipment	2,197,000	(1,176,382)	1,020,618
Furniture, fittings and office equipment	28,654	(3,406)	25,248
Total	2,225,654	(1,179,788)	1,045,866

AS AT 31.12.2006	COST RM	ACCUMULATED DEPRECIATION RM	NET CARRYING AMOUNT RM
Computers and related equipment	2,094,145	(753,248)	1,340,897
Furniture, fittings and office equipment	15,439	(984)	14,455
Total	2,109,584	(754,232)	1,355,352

9. PRODUCT DEVELOPMENT EXPENDITURE

	THE GROUP AND COMPANY	
	2007 RM	2006 RM
Cost		
At 1 January	5,197,318	3,414,744
Incurred during the financial year	1,880,689	1,782,574
At 31 December	7,078,007	5,197,318
Accumulated Amortisation		
At 1 January	(2,919,640)	(1,648,142)
Current financial year	(1,489,984)	(1,271,498)
At 31 December	(4,409,624)	(2,919,640)
Net carrying amount	2,668,383	2,277,678

Included in the product development expenditure are the following costs incurred during the financial year:-

	THE GROUP AND COMPANY	
	2007 RM	2006 RM
Hire of equipment	132,000	-
Rental of premises	10,800	-
Staff costs	1,737,889	1,782,574

10. INTANGIBLE ASSETS

	THE GROUP AND COMPANY	
	2007	2006
	RM	RM
Cost		
At 1 January	1,020,000	-
Incurred during the financial year	-	1,020,000
At 31 December	1,020,000	1,020,000
Accumulated Amortisation		
At 1 January	(76,500)	-
Current financial year	(102,000)	(76,500)
At 31 December	(178,500)	(76,500)
Net carrying amount	841,500	943,500

The intangible assets comprises the costs incurred in acquiring a mobile platform for messaging gaming services.

11. TRADE RECEIVABLES

The Group's normal trade credit terms range from 30 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Gross trade receivables	1,608,319	4,086,626	587,652	1,438,222
Allowance for doubtful debts:				
At 1 January	(434,896)	-	(261,013)	-
Increase during the financial year	-	(434,896)	-	(261,013)
Allowance no longer required	418,000	-	261,013	-
At 31 December	(16,896)	(434,896)	-	(261,013)
Net trade receivables	1,591,423	3,651,730	587,652	1,177,209

11. TRADE RECEIVABLES (CONT'D)

Included in trade receivables of the Group is an amount RM10,096 (2006 - RM128) owing by a company in which a director, Datuk Lee Fook Long has a substantial financial interest.

12. AMOUNT OWING BY/(TO) SUBSIDIARIES

The amounts owing are unsecured, interest-free and repayable upon demand.

The foreign currency exposure profile of amount owing by subsidiaries is as follows:-

	THE COMPANY	
	2007 RM	2006 RM
Singapore Dollar	16,028	6,622

13. AMOUNT OWING BY ASSOCIATE

The amount is non-trade, unsecured, interest-free and repayable upon demand.

14. SHORT TERM DEPOSITS WITH A LICENSED BANK

The weighted average effective interest rate of short term deposits at the balance sheet date of the Company was 3% (2006 - 3.2%) per annum.

The short term deposits of the Company have a maturity period of 30 days (2006 - 30 days).

15. SHARE CAPITAL

	THE COMPANY			
	2007	2006	2007	2006
	NUMBER OF ORDINARY SHARES		RM	RM
Authorised:				
Ordinary shares of RM0.10 each	250,000,000	250,000,000	25,000,000	25,000,000
Issued And Fully Paid:				
Ordinary shares of RM0.10 each:-				
At 1 January	94,473,500	94,243,500	9,447,350	9,424,350
Shares issued pursuant to options exercised under the ESOS	-	230,000	-	23,000
At 31 December	94,473,500	94,473,500	9,447,350	9,447,350

16. SHARE PREMIUM

	THE GROUP AND COMPANY	
	2007	2006
	RM	RM
At 1 January	2,231,412	2,180,812
Premium arising from options exercised under the ESOS	-	50,600
At 31 December	2,231,412	2,231,412

The share premium account is not distributable by way of cash dividends but may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965.

17. RETAINED PROFITS

Based on estimated Section 108 tax credits and tax-exempt income account available and subject to agreement with the tax authorities, the retained profits are wholly distributable by way of dividends without the Company incurring further tax liabilities.

18. TRADE PAYABLES

The normal trade credit terms granted to the Group ranged from 30 days to 90 days.

The foreign currency exposure profile of trade payables is as follows:-

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
United States Dollar	14,481	-	14,481	-

19. OTHER PAYABLES AND ACCRUALS

Included in other payables of the Group and of the Company is an amount of RM73,117 (2006 - RM145,392) owing to a company, Vizeum Media Services (M) Sdn. Bhd. in which certain directors and substantial shareholders of the Company (vide their substantial shareholdings in Monaxis Sdn. Bhd.) namely Datuk Lee Fook Long and Lionel Koh Kok Peng are also the directors of the said related party. The amount is unsecured, interest-free and not subject to fixed terms of repayment.

20. NET ASSETS PER SHARE

The net assets per share of the Group is calculated based on the net assets value of RM14,511,465 (2006 - RM15,858,524) divided by the number of ordinary shares in issue at the balance sheet date of 94,473,500 (2006 - 94,473,500).

21. REVENUE

Revenue represents:-

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Mobile applications	7,283,717	8,621,845	7,283,717	8,621,845
Wireless and multimedia software applications	1,663,848	1,232,448	-	-
	8,947,565	9,854,293	7,283,717	8,621,845

22. LOSS BEFORE TAXATION

This is arrived at after charging/(crediting):-

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Allowance for doubtful debts	-	434,896	-	261,013
Amortisation of intangible assets	102,000	76,500	102,000	76,500
Amortisation of product development expenditure	1,489,984	1,271,498	1,489,984	1,271,498
Auditors' remuneration	21,437	21,198	13,500	13,500
Bad debts written off	39,838	1,700	-	-
Depreciation of plant and equipment	597,372	538,110	475,931	411,283
Directors' remuneration:				
- fee	78,000	168,000	78,000	168,000
- other emoluments	648,600	774,040	-	-
Loss on disposal of plant and equipment	32,984	-	6,681	-
Plant and equipment written off	2,993	117	-	-
Rental of equipment	11,136	10,408	11,136	10,208
Rental of office	308,616	313,617	211,748	227,116
Staff costs	2,250,198	2,491,882	1,772,470	1,902,271
Allowance for doubtful debts no longer required	(418,000)	-	(261,013)	-
Interest income	(181,583)	(225,223)	(181,583)	(179,035)

23. TAXATION

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Income tax expense				
Current financial year	-	17,000	-	17,000
(Over)/Underprovision in the previous financial year	(129)	1,685	(129)	(880)
	(129)	18,685	(129)	16,120
Deferred taxation expense				
Overprovision in the previous financial year	-	(50,000)	-	-
Tax (reversal)/expense for the financial year	(129)	(31,315)	(129)	16,120

A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Loss before taxation	(1,347,188)	(1,712,338)	(790,692)	(1,015,846)
Tax at the statutory tax rate of 27% (2006 - 28%)	(363,741)	(421,339)	(213,000)	(284,000)
Tax effects of:-				
Non-taxable income	(161,886)	(33,000)	(119,500)	(33,000)
Non-deductible expenses	183,711	71,626	119,500	58,000
(Over)/Underprovision in prior financial year:				
- income tax	(129)	1,685	(129)	(880)
- deferred tax	-	(50,000)	-	-
Deferred tax assets not recognised during the financial year	341,916	399,713	213,000	276,000
Tax (reversal)/expense for the financial year	(129)	(31,315)	(129)	16,120

23. TAXATION (CONT'D)

During the current financial year, the statutory tax rate was reduced from 28% to 27%.

Subject to agreement with the tax authorities, the Company has unutilised tax losses and unabsorbed capital allowances of approximately RM3,351,000 (2006 - RM2,813,000) and RM772,000 (2006 - RM489,000) respectively at the balance sheet date available for offset against future taxable business income.

The deferred tax assets have not been recognised in respect of the following items:-

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unutilised tax losses	1,092,960	887,880	904,770	787,640
Unabsorbed capital allowances	246,780	157,920	208,440	136,920

The unabsorbed capital allowances and unutilised tax losses are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of the said unabsorbed capital allowances and unutilised tax losses due to uncertainty to the crystallisation of the deferred tax assets.

24. LOSS PER SHARE

The basic loss per share for the financial year has been calculated by dividing the consolidated loss attributable to shareholders of RM1,347,059 (2006 - RM1,681,023) by the weighted average number of ordinary shares in issue during the financial year of 94,473,500 (2006 - 94,464,048).

The effect on the basic loss per share for the current financial year arising from the assumed conversion of ESOS is anti-dilutive.

25. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:-

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Short term deposits with a licensed bank	5,217,320	5,060,118	5,217,320	5,060,118
Cash and bank balances	2,044,029	3,378,310	1,585,590	3,216,282
	7,261,349	8,438,428	6,802,910	8,276,400

26. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by directors of the Company during the financial year was as follows:-

THE GROUP 2007	NO. OF DIRECTORS	SALARIES RM	EPF & SOCSO RM	FEE RM	ALLOWANCES RM	TOTAL RM
Executive						
- Between RM300,001 and RM350,000	2	530,000	70,600	12,000	48,000	660,600
Non-Executive						
- Less than or equal to RM50,000	5	-	-	66,000	-	66,000
	7	530,000	70,600	78,000	48,000	726,600
2006						
Executive						
- Between RM400,001 and RM450,000	2	642,000	84,040	48,000	48,000	822,040
Non-Executive						
- Less than or equal to RM50,000	5	-	-	120,000	-	120,000
	7	642,000	84,040	168,000	48,000	942,040

26. DIRECTORS' REMUNERATION (CONT'D)

THE COMPANY 2007	NO. OF DIRECTORS	SALARIES RM	EPF & SOCSO RM	FEE RM	ALLOWANCES RM	TOTAL RM
Executive						
- Less than or equal to RM50,000	2	-	-	12,000	-	12,000
Non-Executive						
- Less than or equal to RM50,000	5	-	-	66,000	-	66,000
	7	-	-	78,000	-	78,000
2006						
Executive						
- Less than or equal to RM50,000	2	-	-	48,000	-	48,000
Non-Executive						
- Less than or equal to RM50,000	5	-	-	120,000	-	120,000
	7	-	-	168,000	-	168,000

27. RELATED PARTY DISCLOSURES

(a) Identities of related parties

(i) the Company has controlling related party relationship with its subsidiaries as disclosed in Note 6 to the financial statements; and

(ii) a company in which a director of the Company is a controlling shareholder; and

(iii) the directors who are the key management personnel.

(b) The Group and the Company carried out the following transactions with related parties during the financial year:-

(i) Subsidiary

	THE COMPANY 2007 RM	THE COMPANY 2006 RM
Sales to MNC Consulting Sdn. Bhd.	2,515,402	2,976,823
Management fee charged by MNC Consulting Sdn. Bhd.	514,000	670,000

27. RELATED PARTY DISCLOSURES (CONT'D)

(ii) Related Parties

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Transactions with companies in which a director, Datuk Lee Fook Long has substantial financial interests:-				
Advertising and promotion expenses charged by DDB PR Sdn. Bhd.	14,863	49,848	14,863	49,848
Media commission charged by Vizeum Media Services (M) Sdn. Bhd.	17,278	11,311	17,278	11,311
Sales to Naga DDB Sdn. Bhd.	116,500	-	-	-
Sales to Rapp Collins (M) Sdn. Bhd.	20,155	5,107	-	-

(iii) Key management personnel

	THE GROUP		THE COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Short-term employee benefits (Note 26)	726,600	942,040	78,000	168,000

28. FOREIGN EXCHANGE RATES

The applicable foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the balance sheet date were as follows:-

	THE GROUP AND COMPANY	
	2007 RM	2006 RM
Singapore Dollar	2.32	2.30
United States Dollar	3.33	-

29. SEGMENTAL INFORMATION

BUSINESS SEGMENTS

The Group's business segments comprise the following main segments:-

Mobile applications	Provision of mobile application platforms for Short Message Service (SMS) to mobile phone users.
Wireless and multimedia software applications	Consultation, sales, marketing and implementation of m-business solutions and management of content resources business.

	MOBILE APPLICATIONS RM	WIRELESS AND MULTIMEDIA SOFTWARE APPLICATIONS RM	ELIMINATION RM	CONSOLIDATED RM
THE GROUP				
2007				
REVENUE AND EXPENSES				
Revenue				
External sales	7,283,717	1,663,848	-	8,947,565
Inter-segment sales	-	3,029,402	(3,029,402)	-
Total revenue	7,283,717	4,693,250	(3,029,402)	8,947,565
Results				
Segment results	(987,106)	(360,082)	-	(1,347,188)
Taxation				129
Loss for the financial year				(1,347,059)

29. SEGMENTAL INFORMATION (CONT'D)

THE GROUP 2007	MOBILE APPLICATIONS RM	WIRELESS AND MULTIMEDIA SOFTWARE APPLICATIONS RM	CONSOLIDATED RM
ASSETS AND LIABILITIES			
Segment and consolidated assets	12,457,065	2,067,107	14,524,172
Investment in an associate	1,663,773	-	1,663,773
	14,120,838	2,067,107	16,187,945
Segment and consolidated liabilities	1,367,999	308,481	1,676,480
OTHER INFORMATION			
Capital expenditure	201,208	9,930	211,138
Amortisation of intangible assets	102,000	-	102,000
Amortisation of product development expenditure	1,489,984	-	1,489,984
Depreciation	475,931	121,441	597,372
Plant and equipment written off	-	2,993	2,993

THE GROUP 2006	MOBILE APPLICATIONS RM	WIRELESS AND MULTIMEDIA SOFTWARE APPLICATIONS RM	ELIMINATION RM	CONSOLIDATED RM
REVENUE AND EXPENSES				
Revenue				
External sales	8,621,845	1,232,448	-	9,854,293
Inter-segment sales	-	3,654,761	(3,654,761)	-
Total revenue	8,621,845	4,887,209	(3,654,761)	9,854,293
Results				
Segment results	(1,025,611)	(686,727)	-	(1,712,338)
Taxation				31,315
Loss for the financial year				(1,681,023)

29. SEGMENTAL INFORMATION (CONT'D)

THE GROUP 2006	MOBILE APPLICATIONS RM	WIRELESS AND MULTIMEDIA SOFTWARE APPLICATIONS RM	CONSOLIDATED RM
ASSETS AND LIABILITIES			
Segment and consolidated assets	14,224,768	3,443,316	17,668,084
Segment and consolidated liabilities	1,531,575	277,985	1,809,560
OTHER INFORMATION			
Capital expenditure	586,569	8,096	594,665
Amortisation of intangible assets	76,500	-	76,500
Amortisation of product development expenditure	1,271,498	-	1,271,498
Depreciation	411,283	126,827	538,110
Allowance for doubtful debts	261,013	173,883	434,896
Plant and equipment written off	-	117	117

An analysis by geographical segment has not been presented as the Group's transactions outside Malaysia comprise less than 10% of the total revenue.

30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

(a) Investment In Subsidiaries

It is not practical to estimate the fair value of the Company's non-current unquoted investments because of the lack of quoted market prices and the inability to estimate the fair value without incurring excessive costs.

30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

(b) Cash And Cash Equivalents, Receivables And Payables

The carrying amounts approximated their fair values due to the relatively short term nature of these financial instruments.

31. COMPARATIVE FIGURES

The following comparative figures have been restated to conform with the current financial year's presentation:-

	THE COMPANY	
	As restated RM	As previously reported RM
Cash Flow Statements (Extract):-		
Cash flows from/(for) operating activities		
Increase in amount owing by subsidiaries	-	(1,559,708)
Cash flows (for)/from investing activities		
Net advances from subsidiaries	-	7,463,911
Cash flows (for)/from financing activities		
Net advances from subsidiaries	5,904,203	-

MNC Wireless Berhad
(635884-T)

PROXY FORM

Number Of Shares Held

* I/We ____

of ____

being a Member(s) of M N C WIRELESS BERHAD (635884-T), hereby appoint ____________________

of ____________________ or # THE CHAIRMAN OF THE MEETING or failing him/her

____________________ of ____________________

____________________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 Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Tuesday, 17 June 2008 at 9.00 a.m. or at any adjournment thereof and to vote as indicated below:-

Ordinary Resolutions		For	Against
1	Re-election of Mr Christopher Micheal Cheow as Director.		
2	Re-election of Datuk Lee Fook Long as Director.		
3	Re-election of Mr Lee Kam Chun as Director.		
4	To approve Directors' Fee amounting to RM78,000.00 for the financial year ended 31 December 2007.		
5	Re-appointment of Messrs Horwath as the Auditors.		
Special Business			
6	Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965.		

Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies or more and wish them to vote differently this should be specified.

If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.
* Delete if not applicable.

Signed this__________day of ____________________ 2008

____
Signature / Common Seal of Shareholder

Notes:

(1) A member entitled to attend and vote at the meeting may appoint another person as his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

(2) A Member may appoint up to three (3) proxies to attend the same meeting. Where a Member appoints two (2) or more proxies, the appointment shall not be valid unless the Member specifies the proportion of his shareholding to be represented by each proxy.

(3) The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(4) The instrument appointing a proxy and the power of attorney or other attorney, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at C15-1, Level 15, Tower C, Megan Avenue ll, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding of the meeting or adjourned meeting.

(5) ***Explanatory Note on the Special Business**

Ordinary Resolution 6

Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company, from the date of the Fourth Annual General Meeting, to issue shares (other than bonus or rights issue) of the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being for such purpose as they considered would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

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Stamp

The Company Secretary

MNC®

MNC Wireless Berhad

(635884-T)

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