M-MODE BERHAD

(635759-U)

ANNUAL REPORT 2007

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CORPORATE INFORMATION

Board of Directors
Lim Thean Keong
Chairman/Managing Director

Thong Kooi Pin
Executive Director

Fam Lee Ee
Independent Non-Executive Director

Mohd Zaini Bin Noordin
Independent Non-Executive Director

Audit Committee
Fam Lee Ee
Chairman/Independent Non-Executive Director

Thong Kooi Pin
Executive Director

Mohd Zaini Bin Noordin
Independent Non-Executive Director

Nomination Committee
Mohd Zaini Bin Noordin
Chairman/Independent Non-Executive Director

Fam Lee Ee
Independent Non-Executive Director

Remuneration Committee
Fam Lee Ee
Chairman/Independent Non-Executive Director

Mohd Zaini Bin Noordin
Independent Non-Executive Director

Lim Thean Keong
Managing Director

Company Secretaries
Ng Yen Hoong (LS 008016)
Joanne Toh Joo Ann (LS 0008574)

Registered Office
Level 14, Uptown 1,
No.1, Jalan SS21/58,
Damansara Uptown,
47400 Petaling Jaya,
Selangor Darul Ehsan.
Tel : 03-7718 6188
Fax : 03-7725 7791

Share Registrar
PFA Registration Services Sdn Bhd
(Co. No. 19234-W)
Level 13, Uptown 1,
No. 1, Jalan SS21/58,
Damansara Uptown,
47400 Petaling Jaya,
Selangor Darul Ehsan.
Tel : 03-7718 6000
Fax : 03-7722 2311

Principal Banker
RHB Bank Berhad

Stock Exchange Listing
Bursa Malaysia Securities Berhad (MESDAQ Market)
Stock Name : MMODE
Stock Code : 0059

Auditor
Chanthiran & Co.
C-1-6(Suite A), Block C
Megan Avenue I,
189,Jalan Tun Razak,
50400 Kuala Lumpur.
Tel : 03-2775 5678

Corporate Website
www.m-mode.com.my

BOARD OF DIRECTORS

Lim Thean Keong, aged 45, Malaysian citizen, is the Chairman/Managing Director of M-Mode Berhad ("M-Mode" or "Company"). He was appointed to the Board on 31 March 2004. As the founder of M-Mode Group since its inception, he is responsible for charting the strategic directions and growth of the M-Mode Group. Mr Lim graduated with Bachelor of Arts (Hons) degree from University of Malaya, Malaysia in 1987. He has been engaged in the publishing industry for numerous years before starting the mobile data business in 2002.

Thong Kooi Pin, aged 36, Malaysian citizen, is the Executive Director of M-Mode. He was appointed to the Board on 21 September 2005. He graduated with a professional degree in ACCA (Association of Chartered Certified Accountants) in 1998 and admitted as a member of the Malaysian Institute of Accountants as a Chartered Accountant in 2000. He further obtained his Masters degree in business administration majoring in finance in 2005 from Universiti Putra Malaysia. He has extensive working experiences with various public listed companies prior to joining M-Mode in 2004 and is currently responsible for the Group's finance and corporate affairs.

He also sits on the Board of Directors of Palette Multimedia Berhad as an Independent Non-Executive Director since 18 December 2006 and holds the position as Financial Controller for Key ASIC Berhad.

Fam Lee Ee, aged 47, Malaysian citizen, is an Independent Non-Executive Director of M-Mode. He was appointed to the Board on 13 September 2004. He graduated from University of Malaya, Malaysia with a Bachelor of Arts (Hons) in 1986. He obtained his LLB (Hons) from the University of Liverpool, England in 1989.

He is currently a practising partner in Messrs. YF Chun, Fam & Yeo. He is also an Independent Non-Executive Director of AirAsia Berhad.

Mohd Zaini bin Noordin, aged 46, Malaysian citizen, is an Independent Non-Executive Director of M-Mode. He was appointed to the Board on 13 September 2004. He completed courses in Insurance and Actuarial Science from Indiana University in United States of America. He is the founder of MOL AccessPortal Bhd and has more than twenty (20) years of experience in the IT industry and marketing profession. He has entrepreneurial experience with his own companies and corporate experience in both local and foreign multinational companies including NEC Sales (M) Sdn Bhd, Uniphone Sdn Bhd and Mesiniaga Bhd. He was also previously the General Manager of Special Projects at YPJ Holdings Sdn Bhd (a Johor State Investment company) and directly managed Perbadanan Usahawan Johor Sdn Bhd and set-up the Johor Incubation Centre.

None of the Directors have family relationship with any other Directors or major shareholders.

None of the Directors have any conflict of interest with the Company and none of the Directors have any convictions for offences other than traffic offences in the past 10 years.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of M-Mode Berhad, I have the pleasure of presenting to you the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2007.

Financial Performance

For the financial year ended 31 December 2007, the Group registered revenue of RM13.54 million, representing an increase of 43.6% as compared to RM9.43 million in the previous financial year ended 31 December 2006. Net profits after taxation attributable to shareholders has also increased to RM1.35 million compared to RM0.59 million in the previous financial year, representing an annual growth rate of 127.3%.

The increase in the profit after taxation achieved was due to higher revenue and increased effectiveness of advertisement. The increase in Group revenue was also resulted from repackaging products and services as well as many new products and services launched during the financial year ended 31 December 2007.

On the overseas business, the Group's China and Indonesia operations have not performed as expected and the Management has decided not to further expand our overseas market until a more solid opportunity occurred.

Industry Trends and Development

The moderate pace of economic expansion in the first three quarters of 2007 provided a favourable backdrop for the Communications and Multimedia (C&M) industry. The aggregate C&M industry revenue posted combined domestic revenue of RM30 billion at end 2007 i.e. 11% growth from RM27 billion at end of 2006. The C&M sector contributed significantly influencing not only trends in media consumption but also setting new industry trends. The positive consumer and business sentiments evident in 2007 augured well for the C&M industry.

The domestic cellular mobile revenue from data, SMS and non-SMS continued to drive growth for operators. Subscriber data usage continued its strong growth spurred by increasing availability of mobile applications and services. Other content development initiative driver such as Malaysian Animation Creative Content Centre established by Multimedia Development Corporation (MDeC) in year 2007 provides innovative avenue for further content generation, for example, the creation of ads for the mobile space.

Regulatory developments such as the prepaid registration in 2006 and the implementation of mobile number portability (MNP) together with the rollout of WiMAX services and the services of two other 3G service providers are expect to promote change and challenges in Malaysian communications environment in 2008. These are natural developments evolving towards a converged C&M industry in terms of network, services and applications.

Utilisation of Proceeds

M-Mode had executed a private placement exercise which was approved by shareholders of M-Mode during

Utilisation of Proceeds (continued)

an Extraordinary General Meeting held on 18 May 2005. The proceeds from the Private Placement was fully utilised on 27 January 2007.

Subsequent to the first private placement exercise which had been fully utilized, the Company had undertaken a private placement exercise, which was approved by Securities Commission on 12 December 2006 and subsequently completed on 22 November 2007. The total gross proceeds raised from the private placement exercises and the status of the utilization of the proceeds as at 31 December 2007 is as follows:-

Purpose	Proposed Utilization RM '000	Actual Utilization RM '000	Balance Unutilized RM '000	%	Explanation
R&D	1,226	1,226	-	-	Fully utilised
Working Capital	1,631	1,037	594	36	On-going utilisation

Future Prospects

The Group will continue to invest in research and development (R&D) activities in mobile technology space and capitalize on its existing expertise to develop a secondary market as a mobile solutions provider. The Group is continuing to enrich and enhance quality of content libraries in order to maintain its customer base and to meet subscriber demand. Besides that, the Group will continue to monitor closely its business development plan and revise accordingly to the changes of the industry.

Barring any unforeseen circumstances, the Board expects the Group to continue to grow and contribute positively to the earnings and financial position of the Group in the future year.

Research & Development

As a technology focused organization, the Group is committed to R&D in keeping up with the latest update of the mobile and life style technology in the industry especially the technologies of its partner mobile network operators. New and innovative services and more importantly, ensuring an efficient mobile gateway connection and reporting with its partner mobile network operators is essential for the Company's continuous success.

For the financial year ended 31 December 2007, the total R&D expenses incurred was approximately RM0.83 million representing about 6.1% of the Group's total revenue. The Board of Directors of M-Mode is of the view that future allocations for R&D will not have material financial impact on the Group in future years.

Appreciation

On behalf of the Board of Directors, I would like to thank the management, valuable employees and our

Appreciation (continued)

indispensable business partners and associates, for their commitment, dedication, contribution and continuous support towards the Group.

Thank you,

LIM THEAN KEONG
CHAIRMAN

AUDIT COMMITTEE REPORT

The Audit Committee was established in September 2004 with the primary objective to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for the Group, to improve the business efficiency and enhance the independent role of external and internal auditors.

1. Composition of Audit Committee

The present members of the Audit Committee comprise of:-

Chairman	
Fam Lee Ee	– Independent Non-Executive Director
Members	
Mohd. Zaini Bin Noordin	– Independent Non-Executive Director
Thong Kooi Pin	– Executive Director

2. Terms of Reference

A. Composition

The Audit Committee shall be appointed by the directors from among themselves and shall not be fewer than three (3) members. The majority of the members and the Chairman of the Audit Committee must be independent directors. The chief executive officer shall not be a member of the Audit Committee. At least one the member of the Audit Committee:-

(i) must be a member of Malaysian Institute of Accountants; or

(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-

- he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
- he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

(iii) fulfils such other requirements as prescribed or approved by the Exchange.

B. Authority

The Audit Committee is empowered by the Board to investigate any activity within its terms of reference and access to any resources within the Company which are required to perform its duties without any restriction. The Committee is authorised to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity or convene meetings with the external auditors, internal auditors or both excluding the attendance of other directors and employees of the Company whenever it deemed necessary.

The Committee is also authorised to obtain independent/external professional or other advices and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

C. Functions and Duties

The functions of the Audit Committee are as follows:-

(i) To review and report the same to the board of directors of the Company:-

- (a) with the external auditor, the audit plan;
- (b) with the external auditor, his evaluation of the system of internal controls;
- (c) with the external auditor, his audit report;
- (d) the assistance given by the employees of the listed company to the external auditor;
- (e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (f) 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;
- (g) the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on:-
  - · Changes in or implementation of major accounting policy changes;
  - · Significant and unusual events; and
  - · Compliance with accounting standards and other legal requirements;
- (h) any related party transaction and conflict of interest situation that may arise within the listed company or group including any transaction, procedure or course of conduct that arise questions of management integrity;
- (i) any letter of resignation from the external auditors of the listed company; and
- (j) whether there is reason (supported by grounds) to believe that the listed company's external auditor is not suitable for re-appointment; and

(ii) Recommend the nomination of a person or persons as external auditors.

D. Retirement and Resignation

In the event of any vacancy in the Audit Committee, the Company shall fill in the vacancy within two (2) months, but in any case not later than three (3) months.

3. Meetings

A minimum of four (4) meetings per year are planned and additional meetings may be called at the Committee's or Chairman's discretion.

The Committee may invite the external auditors, any other Board members and senior management of the Group to be in attendance during meetings to assist in its deliberations. At least once a year, the Committee shall meet with the external auditors and/or internal auditors without the presence of any Executive Director.

4. Summary of Activities Undertaken

The Audit Committee held six (6) meetings during the financial year ended 31 December 2007. The details

4. Summary of Activities Undertaken (continued)

of attendance of the Audit Committee members are as below:-

Name	Attendance
Fam Lee Ee (Chairman)	6/6
Mohd Zaini Bin Noordin	6/6
Thong Kooi Pin	6/6

Among the matters discussed and deliberated during all the meetings include:-

- reviewed the financial statements before the quarterly announcement to Bursa Securities.
- reviewed the year-end financial statements together with the external auditors' management letter and the management's response.
- reviewed the reports of the external auditors.
- reviewed the risk management framework report.
- reviewed and approved the internal audit plan and internal audit report.

5. Employees' Share Option Scheme (ESOS)

The ESOS or Option Committee was established on 19 September 2005 following the implementation of ESOS. Members of the Option Committee comprise of:-

Chairman	
Lim Thean Keong	- Managing Director
Members	
Fam Lee Ee	- Independent Non-Executive Director
Thong Kooi Pin	- Executive Director
Lee Kok Chiang	- Executive Director (Retired on 20 June 2007)

The objectives of the Option Committee are to:-

- assist the Board of the Company in discharging its responsibilities relating to the implementation of the ESOS in accordance with the relevant laws and regulations including the By-Law.
- carry out functions relating to the Scheme assigned by the Board of the Company.

No meeting was held and the Company did not offer ESOS options to director and employees of the Group for the financial year ended 31 December 2007.

6. Internal Audit Function

The Internal Auditors of the Company report directly to the Audit Committee. The internal audit function is to ensure a regular review of the adequacy and integrity of its internal control system. They will also be required to assist the Group in enhancing its existing risk management framework and adopting a risk-based approach.

6. Internal Audit Function (continued)

They conduct regular and systematic reviews on all operating units and submit an independent report to the Committee.

STATEMENT ON CORPORATE GOVERNANCE

The Board recognizes the importance of corporate governance in discharging its responsibilities, protecting and enhancing shareholders' value through promoting and practising high standards of corporate governance throughout the Group. The Board adopts and applies the principles and best practices as governed by the Listing Requirements of the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and Malaysian Code on Corporate Governance ("Code").

The following statements set out the Company's compliance with the principles of the Code.

A. Directors

(i) The Board

The Board is primarily responsible for the strategic directions of the Group and is scheduled to meet at least four (4) times a year. However, additional meetings may be convened as and when deemed necessary as determined by the members of the Board.

The Board had convened six (6) meetings during the year 2007. The details of the Directors' attendance at the Board meetings are set out as follows:-

Director	Meeting Attendance
Lim Thean Keong (Chairman)	6/6
Thong Kooi Pin	6/6
Lee Kok Chiang (Retired on 20 June 2007)	3/6
Fam Lee Ee	6/6
Mohd Zaini Bin Noordin	6/6

(ii) Board Balance & Composition

The Board members of M-Mode come from diverse backgrounds ranging from business, marketing, legal and technical knowledge.

The current Board has four (4) members comprising two (2) Executive Directors and two (2) Independent Non-Executive Directors, excluding Mr. Lee Kok Chiang, who retired on 20 June 2007. The Board balance and composition complied with Rule 15.02 of the Listing Requirements of Bursa Securities for the MESDAQ Market. The Board is satisfied that the current composition fairly reflects the investment of shareholders and a balanced view of the Group's business.

(iii) Supply of Information

The Board assumes the following responsibilities:-

- reviewing and adopting a strategic plan for the Group;
- identifying risks and assuming an active role in ensuring the implementation of appropriate systems to manage or mitigate these risks;
- succession planning, including appointing, training, fixing the compensation of directors and wherever appropriate;

A. *Directors (continued)*

(iii) Supply of Information (continued)

- developing and implementing an investor relations programme or shareholder communications policy for the Group; and
- reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

All Directors including the Independent Non-Executive Directors have full and timely access to information concerning the Company or other external information as they may feel necessary. Board papers and reports which include the Group's performance and major operational, financial and corporate information are distributed to the Directors with sufficient time prior to Board Meetings to enable Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

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.

(iv) Appointment to the Board and Re-election

In accordance to the Company's Articles of Association, Directors appointed during the year is required to retire and seek election by shareholders at the following Annual General Meeting ("AGM") immediately after their appointment. The Articles also require one-third (1/3) of the Directors to retire by rotation and seek re-election at each AGM and that each Director shall submit himself for re-election every three (3) years.

The Board has adopted the best practices and the Nomination Committee, which was established on 23 November 2007, has been tasked with the responsibilities to recommend new appointment to the Board. The present member of the Nomination Committee comprise of:-

Chairman	
Mohd Zaini Bin Noordin	- Independent Non-Executive Director
Members	
Fam Lee Ee	- Independent Non-Executive Director

The primary function of the Nomination Committee is to recommend to the board, candidates for all directorship to be filled by the shareholders or the board and key management positions after taking into consideration the following criteria:-

- skills, knowledge, expertise and experience;
- professionalism;
- integrity;
- in the case of candidates for the position of independent non-executive directors, the nominating committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors;

A. *Directors (continued)*

(iv) Appointment to the Board and Re-election (continued)

In addition, the Nomination Committee has established a performance criteria and assesses the effectiveness of the Board, Board Committee and contributions of each individual Director on annual basis. The Nomination Committee reviews annually the required mix of skills and experience including core competencies which Non-Executive Directors should bring to the Board and other qualities for the Board to function effectively and efficiently.

(v) Directors' Training

In line with the Listing Requirements of Bursa Securities for the MESDAQ Market, the Board will determine the training needs of each member of the Board to keep themselves updated and abreast of the business, economy and regulatory developments in order to discharge their duties and responsibilities more effectively.

The directors are encouraged to evaluate their own training needs and attend seminars and programmes relevant to their skills and expertise and they are also kept informed of available training programmes.

B. *Director Remuneration*

Following the Code, Remuneration Committee was established on 23 November 2007 and responsible to recommend the remuneration packages for Executive Directors taking into consideration the individual performance, seniority, experience and scope of responsibility that is sufficient to attract the retain the Director needed to run the Company successfully. The present members of the Remuneration Committee comprise of:-

Chairman	
Fam Lee Ee	- Independent Non-Executive Director
Members	
Mohd Zaini Bin Noordin	- Independent Non-Executive Director
Lim Thean Keong	- Managing Director

No meeting was held during the financial year ended 31 December 2007.

The determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman, should be a matter for the Board as a whole. The individuals concerned should abstain from discussing their own remuneration.

The aggregate Directors' remuneration paid or payable to all Directors of the Company categorized into appropriate components for the financial year ended 31 December 2007 are as follows:-

B. Director Remuneration (continued)

Remuneration packages	Executive Directors RM'000	Non Executive Directors RM'000
Salaries and other emoluments	303	-
Fees	12	10
Benefit in kind	92	-

Band of remuneration	Executive Directors	Non Executive Directors
RM 50,000 and below	1	2
RM 50,001 – RM100,000	-	-
RM 100,001 – RM150,000	1	-
RM 150,001 – RM200,000	-	-
RM 200,001 – RM250,000	-	-
RM 250,001 – RM300,000	1	-

C. Relationship with Shareholders

The Company maintains various methods of dissemination of information important to shareholders, stakeholders and the public at large through timely announcement of events, quarterly announcement of financial results and product information on the Company's various websites.

The Company's AGM also provides an effective mean of face to face communication with the shareholders where they are encouraged to participate in the open question and answering session during the AGM. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report at least 21 days before the meeting in order for them to have sufficient time to read and understand about the Company before the actual event takes place.

D. Accountability and Audit

(i) Financial Reporting

It is the Board's responsibility to ensure that the financial statements are prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards set by Malaysian Accounting Standard Board so as to present a balanced and fair assessment of the Group's financial position and prospects. The Directors are also responsible for keeping proper accounting records, safeguarding the assets of the Company and taking reasonable steps to prevent and enable detection of fraud and other irregularities.

D. Accountability and Audit

(i) Financial Reporting

In preparing the financial statements, the Directors have taken the necessary steps and actions as follows:-

- selecting suitable accounting policies and then applying them consistently;
- stating whether applicable accounting standards have been followed;
- making judgments and estimates that are reasonable and prudent; and
- preparing the financial statements on a going concern basis, having made reasonable enquiries and assessment on the resources of the Company on its ability to continue further business in foreseeable future.

(ii) Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and Group's assets. However, the Board recognizes that such system is structured to manage rather than eliminate possibility of encountering risk of failure to achieve corporate objectives.

The Statement on Internal Controls is set out in page 18 of the Annual Report providing an overview of the state of internal controls within the Group.

(iii) Relationships With Auditors

The Board has established a transparent relationship with the external auditors through the Audit Committee, which has been accorded the authority to communicate directly with the external auditors. The auditors in turn are able to highlight matters which require the attention of the Board effectively to the Audit Committee in term of compliance with the accounting standards and other related regulatory requirements.

ADDITIONAL COMPLIANCE INFORMATION

1. *Share Buy-backs*

The Company did not carry out any share buy-backs for the financial year under review.

2. *Options, Warrants or Convertibles Securities*

During the financial year, the Company did not issue any warrants or convertible securities.

3. *American Depository Receipt (ADR) or Global Depository Receipt (GDR)*

The Company did not sponsor any ADR or GDR during the financial year ended 31 December 2007.

4. *Imposition of Sanctions and/or Penalty*

There was no sanction and/or penalty imposed on the Company and its subsidiaries involving Directors or management by the relevant regulatory bodies during the financial year ended 31 December 2007.

5. *Non-Audit Fees*

The Company did not pay any amount of non-audit fees to external auditors or company affiliated to the auditors' firm for the financial year ended 31 December 2007.

6. *Variation in Results*

There were no deviation of 10% or more between the profit after taxation stated in the unaudited fourth quarter ended 31 December 2007 announced on 20 February 2008 and the audited financial statements of the Group for the financial year ended 31 December 2007.

7. *Profit Forecast / Profit Guarantee*

During the year under review, the Company did not provide any profit forecast / guarantee in any public documents.

8. *Material Contract*

There was no material contract entered into by the Company and its subsidiaries involving Directors and major shareholders' interest which was still subsisting at the end of the financial year ended 31 December 2007.

9. *Recurrent Related Party Transaction Statement*

There was no significant recurrent related party transaction of revenue or trading nature during the financial year under review.

10. *Revaluation Policy*

The Company has not adopted any policy of regular revaluations for its landed properties.

11. *Corporate Social Responsibility Activities or Practices*

During the financial year, the Company did not undertake any corporate social responsibility activities or practices.

STATEMENT OF INTERNAL CONTROL

1. Introduction

The Board is committed to maintaining a sound system of internal control of the Company and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Company during the year.

2. Board Responsibilities

The Board of Directors recognizes the importance of sound internal controls and risk management in safeguarding the assets of the Group. However, such systems are designed to manage rather than eliminate the business risk totally. It should be noted that any system could provide only reasonable and not absolute assurance against material misstatement or fraud.

The Group has in place an on-going process to identify, evaluate, monitor and manage any significant risks through the internal controls set out in order to attain reasonable assurance that business objectives have been met. These controls are regularly reviewed by the Board and subject to continuous improvement.

3. Internal Control Framework

The Board has established an organization with clearly defined lines of accountability and delegated authority.

A risk analysis of the Group is conducted on a regular basis and necessary measures being put up to assess and monitor the impacts on the operation and business. The audit program is being continuously enhanced to accommodate changes in the assessment of risk to ensure proper control of the business and the achievement of corporate objectives.

The other key elements of the Group's internal control systems are described below:-

- monthly monitoring of operational results against the budget for the Board's review and discussion;
- regular and comprehensive information provided to the Board, covering financial performance and key business indicators;
- regular updates of internal policies and procedures, to reflect changing risks or resolve operational deficiencies; and
- regular management meeting with all key personnel of respective department to address weaknesses and improve efficiency.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may have a material impact against the operations of the Group for the financial year ended 31 December 2007.

4. Conclusion

Although the Board is of the view that the present internal control is adequately in place to safeguard the Company's assets and sufficient to detect any fraud or irregularities, the Board is on a constant watch for any improvement that may strengthen its current system through a special task team appointed within the organization that report on a monthly basis on all angle of the Group's operations.

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 14 to the financial statements.

There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	GROUP 2007 RM	COMPANY 2007 RM
Profit / (Loss) for the year	1,189,386	612,798

DIVIDEND

No dividend has been paid or declared by the Company since the end of previous financial year. The Directors do not recommend the payment of any dividend in respect of 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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM 14,440,050 to RM 15,884,050 by way of:-

(i) the issue of 14,440,000 new ordinary shares of RM0.10 each through a private placement at an issue price of RM0.113 per ordinary share for cash, for additional working capital purposes.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

There were no debentures issued during the financial year.

EMPLOYEE SHARE OPTIONS SCHEME (ESOS)

The Company's Employees' Share Option Scheme is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 25 April 2005. The ESOS is to be in force for a period of 10 years from the date of implementation.

The salient features and other terms of the ESOS are disclosed in Note 18(a) to the financial statements.

The options offered to take up unissued ordinary shares of RM0.10 each and the option prices are as follows:-

		Number of options over ordinary shares of RM0.10 each				
Date of offer	**Option price**	**At 01.01.2007**	**Granted**	**Exercised**	**Forfeited**	**At 31.12.2007**
21.08.2006	RM0.26	5,303,200	-	-	(293,000)	5,010,200

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders other than directors, who have been granted options to subscribe for more than 500,000 ordinary shares of RM0.10 each. The details of option holders granted options to subscribe for 500,000 or more ordinary shares of RM0.10 each during the financial year are as follows:-

		Number of options over ordinary shares of RM0.10 each				
Name	**Grant date**	**Exercise price (RM)**	**At 01.01.2007**	**Granted**	**Exercised**	**At 31.12.2007**
Ching Wai Teng	21.09.2005	0.11	1,225,000	-	-	1,225,000
Hew Yoon Hsia	21.09.2005	0.11	1,365,000	-	-	1,365,000

DIRECTORS

The Directors who have held office since the date of the last report are as follows:-

Lim Thean Keong
Fam Lee Ee
Mohd Zaini Bin Noordin
Thong Kooi Pin
Lee Kok Chiang (Retired on 20 June 2007)

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interest of Directors who held office at the end of the financial year in shares of the Company and its related corporation are as follows:-

	Number of ordinary shares of RM0.10 each			
	At 01.01.2007	**Bought**	**Sold**	**At 31.12.2007**
The Company				
Direct interest				
Lim Thean Keong	54,156,300	-	-	54,156,300
Thong Kooi Pin	130,500	-	-	130,500

			Number of options over ordinary shares of RM0.10 each			
Name	**Grant date**	**Exercise price (RM)**	**At 01.01.2007**	**Granted**	**Exercised**	**At 31.12.2007**
Lim Thean Keong	21.09.2005	0.11	1,225,000	-	-	1,225,000
Thong Kooi Pin	21.09.2005	0.11	1,128,000	-	-	1,128,000

None of the other Directors in office at the end of the financial year held any interests in the shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which they are members, or with a company in which they have a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was 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.

OTHER STATUTORY INFORMATION

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

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there is no known bad debts and no allowance is required for doubtful debts; and

OTHER STATUTORY INFORMATION (continued)

(ii) to ensure that any current assets 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.

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

(d) No contingent or other liability has become enforceable or are likely to become enforceable within the succeeding 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 as and when they fall due.

(e) 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, which would render any amount stated in the financial statements misleading.

(f) In the opinion of the Directors,

(i) the results of the Group's and Company's operations during the financial year were not substantially affected by any items, transactions or events of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any items, transactions or events of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Chanthiran & Co. have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution,

LIM THEAN KEONG
DIRECTOR

THONG KOOI PIN
DIRECTOR

Kuala Lumpur
Date: 28 April 2008

STATEMENT BY DIRECTORS

Pursuant to Section 169 (15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 27 to 60 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors,

LIM THEAN KEONG
DIRECTOR

THONG KOOI PIN
DIRECTOR

Kuala Lumpur
Date: 28 April 2008

STATUTORY DECLARATION

Pursuant to Section 169 (16) of the Companies Act, 1965

I, **THONG KOOI PIN**, being the Director primarily responsible for the financial management of **M-MODE BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 27 to 60 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.

THONG KOOI PIN
DIRECTOR

Subscribed and solemnly declared at Kuala Lumpur on 28 April 2008 before me.

Robert Lim Hock Kee (No. W 092)
Commissioner for Oaths

We have audited the financial statements set out on pages 27 to 60. The preparation of the financial statements are the responsibility of the Company's Directors.

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

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

In our opinion:-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board 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 the results of their operations and cash flows for the 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 Act to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

The subsidiaries of which we have not acted as auditors are indicated in Note 14 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' report thereon.

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 required by us for those purposes.

The auditor's report on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsections (3) of Section 174 of the Act.

CHANTHIRAN & CO
AF 1385
Chartered Accountants (M)

RAJA MANICKAM A/L K.V. GANAPATHY
1804/04/09 (J)
Partner

Kuala Lumpur
Date: 28 April 2008

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

		Group		Company	
		2007	2006	2007	2006
	Note	RM	RM	RM	RM
Revenue	6	13,540,427	9,432,290	1,634,425	846,993
Direct costs	7	(7,237,262)	(4,433,892)	-	(240,352)
Gross profit		6,303,165	4,998,398	1,634,425	606,641
Other income		135,370	199,663	129,011	182,085
Selling and distribution expenses		(1,381,296)	(1,203,872)	(121,884)	-
Administration expenses		(3,865,804)	(3,574,994)	(1,028,754)	(1,067,561)
Research and development expenses		-	-	-	(127,672)
Result from operating activities		1,191,435	419,195	612,798	(406,507)
Finance costs		(340)	(4,274)	-	-
Profit/(Loss) before tax	8	1,191,095	414,921	612,798	(406,507)
Tax Expense	10	(1,709)	50,141	-	-
Profit/(Loss) of the year		1,189,386	465,062	612,798	(406,507)
Attributable to:					
Shareholders of the Company		1,349,396	593,618	612,798	(406,507)
Minority interests		(160,010)	(128,556)	-	-
		1,189,386	465,062	612,798	(406,507)
Earnings per share (sen)					
- basic	11 (a)	0.92	0.41	-	-
- diluted	11 (b)	N/A	N/A	-	-

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

BALANCE SHEETS

AS AT 31 DECEMBER 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
ASSETS					
Property, Plant and Equipment	12	3,053,344	1,727,999	19,945	18,091
Intangible Assets	13	7,715,719	7,352,220	-	-
Investment in subsidiaries	14	-	-	7,917,620	7,637,902
Deferred Tax Assets	15	271,114	271,114	219,680	219,680
Total Non-Current Assets		11,040,177	9,351,333	8,157,245	7,875,673
Inventories		4,851	-	-	-
Trade receivables		1,120,492	2,083,114	-	-
Receivables, deposits and prepayments	16	459,119	315,836	76,306	119,602
Amount owing by subsidiaries		-	-	2,659,181	1,370,649
Cash and cash equivalents	17	9,627,908	6,359,291	5,835,425	5,259,209
Total Current Assets		11,212,369	8,758,241	8,570,912	6,749,460
Total Assets		22,252,546	18,109,574	16,728,157	14,625,133
EQUITY					
Share Capital	18	15,884,050	14,440,050	15,884,050	14,440,050
Reserves	19	1,216,527	1,209,882	1,340,688	1,257,827
Retained Earnings / (Accumulated Losses)		2,646,400	1,297,004	(524,470)	(1,137,268)
Total Equity Attributable to Shareholders of the Company		19,746,977	16,946,936	16,700,268	14,560,609
Minority Interest		267,050	427,060	-	-
Total Equity		20,014,027	17,373,996	16,700,268	14,560,609
LIABILITIES					
Term loan		1,344,620	-	-	-
Total Non-Current Liability		1,344,620	-	-	-
Trade payables		233,035	228,907	-	-
Payables and Accruals	20	657,809	500,738	27,889	64,524
Amount owing to a related company	21	2,000	2,000	-	-
Hire purchase payables	22	-	2,640	-	-
Current tax payable		1,055	1,293	-	-
Total Current Liabilities		893,899	735,578	27,889	64,524
Total Liabilities		2,238,519	735,578	27,889	64,524
Total Equity and Liabilities		22,252,546	18,109,574	16,728,157	14,625,133

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Attributable To Shareholders Of The Company							
	Non-distributable				Distributable			
	Share capital	Share premium	Translation reserves	Share option reserve	Retained earnings	Total	Minority interest	Total equity
	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2006	8,173,300	5,998,416	13,009	142,188	703,386	15,030,299	130,143	15,160,442
Profit for the year	-	-	-	-	593,618	593,618	(128,556)	465,062
Issue of shares:								
- private placement	1,225,900	-	-	-	-	1,225,900	-	1,225,900
- pursuant to ESOS	227,500	22,750	-	-	-	250,250	-	250,250
- bonus issue	4,813,350	(4,813,350)	-	-	-	-	-	-
- share issue cost	-	(151,061)	-	-	-	(151,061)	-	(151,061)
Share based transaction	-	-	-	58,884	-	58,884	-	58,884
Acquisition of subsidiaries	-	-	-	-	-	-	425,473	425,473
Foriegn exchange translaltion difference	-	-	(60,954)	-	-	(60,954)	-	(60,954)
At 31 December 2006/ 1 January 2007	14,440,050	1,056,755	(47,945)	201,072	1,297,004	16,946,936	427,060	17,373,996
Profit for the year	-	-	-	-	1,349,396	1,349,396	-	1,349,396
Issue of shares:								
- private placement	1,444,000	187,720	-	-	-	1,631,720	-	1,631,720
- pursuant to ESOS	-	-	-	-	-	-	-	-
- bonus issue	-	-	-	-	-	-	-	-
- share issue cost	-	(104,374)	-	-	-	(104,374)	-	(104,374)
Share based transaction	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	(160,010)	(160,010)
Foriegn exchange translaltion difference	-	-	(76,701)	-	-	(76,701)	-	(76,701)
At 31 December 2007	15,884,050	1,140,101	(124,646)	201,072	2,646,400	19,746,977	267,050	20,014,027

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Non-distributable			Distributable	
	Share capital RM	Share premium RM	Share option reserve RM	Accumulated losses RM	Total Equity RM
At 1 January 2006	8,173,300	5,998,416	142,188	(730,761)	13,583,143
Loss for the year	-	-	-	(406,507)	(406,507)
Issue of shares:					
- private placement	1,225,900	-	-	-	1,225,900
- pursuant to ESOS	227,500	22,750	-	-	250,250
- bonus issue	4,813,350	(4,813,350)	-	-	-
- share issue cost	-	(151,061)	-	-	(151,061)
Share based transaction	-	-	58,884	-	58,884
At 31 December 2006/ 1 January 2007	14,440,050	1,056,755	201,072	(1,137,268)	14,560,609
Profit for the year	-	-	-	612,798	612,798
Issue of shares:					
- private placement	1,444,000	187,720	-	-	1,631,720
- pursuant to ESOS	-	-	-	-	-
- bonus issue	-	-	-	-	-
- share issue cost	-	(104,859)	-	-	(104,859)
Share based transaction	-	-	-	-	-
At 31 December 2007	15,884,050	1,139,616	201,072	(524,470)	16,700,268

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	1,191,095	414,921	612,798	(406,507)
Adjustments for:				
Depreciation of property, plant & equipment	1,023,713	1,386,235	6,228	4,756
Amortisation of intangible assets	66,601	122,477	-	-
Interests expense	340	3,840	5	-
Interest Income	(140,645)	(134,152)	(129,011)	(127,685)
Loss on deemed disposal of subsidiary	-	-	-	7,605
Property plant & equipment write off	45,518	-	-	-
Other non-cash movement	(76,701)	(107,007)	-	58,884
Operating profit / (loss) before working capital changes	2,109,921	1,820,466	490,020	(462,947)
Changes in working capital:				
Inventories	(4,851)	-	-	-
Trade receivables	962,622	416,647	-	-
Receivables, deposits and prepayments	(143,282)	(27,567)	43,296	31,834
Inter-company balances	-	-	(1,288,532)	2,381,036
Trade payables	4,128	(161,848)	-	-
Payables and accruals	157,071	102,258	(36,635)	6,218
Cash generated from / (used in) operations	3,085,609	2,149,956	(791,851)	1,956,141
Interest income	140,645	134,152	129,011	127,685
Interest paid	(340)	(3,840)	(5)	-
Tax paid	(1,947)	(5,705)	-	-
Net cash generated from / (used in) operating activities	3,223,967	2,140,411	(662,845)	2,083,826
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiaries	-	-	(279,718)	(1,119,507)
Proceeds from deemend disposal of subsidiaries	-	-	-	563,895
Purchase of property, plant and equipment	(2,394,576)	(512,936)	(8,082)	(17,007)
Development costs incurred	(430,100)	(1,190,018)	-	-
Proceeds from sale of property, plant and equipment	-	12,550	-	-
Net cash used in investing activities	(2,824,676)	(1,690,404)	(287,800)	(572,619)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	1,527,346	1,476,150	1,526,861	1,476,150
Share issue costs	-	(151,061)	-	(151,061)
Repayment of term loan	1,344,620	-	-	-
Repayment of hire-purchase payables	(2,640)	(32,160)	-	-
Net cash from financing activities	2,869,326	1,292,929	1,526,861	1,325,089
Net increasein cash and cash equivalents	3,268,617	1,742,936	576,216	2,836,296
Cash and cash equivalents at beginning of the year	6,359,291	4,616,355	5,259,209	2,422,913
Cash and cash equivalents at end of the year	9,627,908	6,359,291	5,835,425	5,259,209

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

M-Mode Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Malaysian Exchange of Securities Dealing and Automated Quotation (MESDAQ). The addresses of its registered office and principal place of business are as follows:-

Registered office
Level 14, Uptown 1
No. 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

Principal place of business
B-7-19, Block B, 19th Floor, Unit 7
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur

The consolidated financial statements as at and for the year ended 31 December 2007 comprise of the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2007 do not include other entities.

The Company is principally engaged in investment holding activities while the other Group entities are primarily involved in the provision of mobile contents and data application services.

The financial statements were approved by the Board of Directors on 28 April 2008.

1. *Basis of preparation*

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Malaysian Exchange of Securities Dealing and Automated Quotation.

The MASB has also issued the following Financial Reporting Standards (FRS) and Interpretations that are effective for annual periods beginning on or after 1 January 2007, and that have not been applied in preparing these financial statements:-

1. *Basis of preparation (continued)*

(a) Statement of compliance (continued)

FRSs/ Interpretations	Effective date
FRS 107, Cash Flow Statements	July 1, 2007
FRS 111, Construction Contracts	July 1, 2007
FRS 112, Income Taxes	July 1, 2007
FRS 118, Revenue	July 1, 2007
FRS 120, Accounting for Government Grants and Disclosure of Government Assistance Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates -Net Investment in a Foreign Operation	July 1, 2007
FRS 134, Interim Financial Reporting	July 1, 2007
FRS 137, Provisions, Contingent Liabilities and Contingent Assets	July 1, 2007
FRS 139, Financial Instruments: Recognition and Measurement	To be announced
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	July 1, 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	July 1, 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	July 1, 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	July 1, 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies	July 1, 2007
IC Interpretation 8, Scope of FRS 2	July 1, 2007

The Group and the Company plans to apply the rest of the abovementioned FRSs except for FRS 111, FRS 120, Amendment to FRS 121, FRS 139 and the IC Interpretations as explained below for the annual period beginning 1 January 2008.

FRS 111, FRS 120, Amendment to FRS 121 and the IC Interpretations are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs are not expected to have any material impact on the financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, if any, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements

2. *Significant accounting policies (continued)*

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

All subsidiaries are accounted for in the consolidated financial statements using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the period 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 Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When the Group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. *Significant accounting policies (continued)*

(b) Foreign currency (continued)

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2007 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements only when the loan is denominated in either the functional currency of the Company or the foreign operation. Deferred exchange differences are released to the income statement upon disposal of the investment.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost and any incidental cost of acquisition less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:-

Computer equipment	5 years
Renovation	10 years
Motor vehicles	5 years
Office equipment and furniture fittings	10 years
Research and development equipment	5 – 10 years
Content library	2 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

2. Significant accounting policies (continued)

(d) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(e) Intangible assets

(i) Goodwill

Goodwill / (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

For acquisitions prior to 1 January 2007, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2007, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment. When the excess is negative (negative goodwill), it is recognised immediately in the income statement. With the adoption of FRS 3, the carrying amount of negative goodwill at 1 January 2006 is derecognised with a corresponding adjustment to the opening balance of retained earnings.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Acquisition of minority interest

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

2. *Significant accounting policies (continued)*

(e) Intangible assets (continued)

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved mobile contents is capitalised if the mobile contents are technically and commercially feasible and the Group has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(iii) Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets are amortised from the date that they are available for use.

The estimated useful live for capitalised development costs is 10 years.

(f) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

2. Significant accounting policies (continued)

(f) Receivables (continued)

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) Impairment of assets

The carrying amounts of assets except for financial assets and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

2. Significant accounting policies (continued)

(i) Share capital

(i) Shares issue expenses

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

(j) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(k) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group s contribution to the Employee s Provident Fund are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. In the previous year, share options granted to employees is not recognised as an employee cost. Following the adoption of FRS 2, Share-based Payment, the grant date fair value of share 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 change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably

2. *Significant accounting policies (continued)*

(iii) Termination benefits (continued)

committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(n) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(o) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

2. *Significant accounting policies (continued)*

(ii) Provision of mobile contents and data application services

The revenue from the provision of mobile contents and data application services is recognised in the income statement upon access of the mobile users to their mobile content through telcos and telcos confirmation report.

(iii) Dividend income

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

(p) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(q) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(r) Tax expenses

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. Significant accounting policies (continued)

(r) Tax expenses (continued)

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the growth of the Group's business activities.

Financial risk management is carried out through risk reviews, internal control systems, standard

3. *Financial risk management objectives and policies(continued)*

operating procedures, investment strategies and adherence to the rules and regulations as stipulated by the Board of Directors. The Group regularly reviews these risks and approves policies for managing each of these risks.

The Group does not trade in derivative financial instruments.

(a) Market risk

For key product purchases, the Group establishes floating and fixed price levels that the Group considers acceptable before entering into short or medium term arrangement with suppliers. The Group does not use derivative financial instruments to manage this risk.

(b) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by application of the credit control procedures that ensure sales are made to customers with an appropriate credit history, credit approvals and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an on-going basis via the Group's management reporting procedures.

(c) Liquidity and cash flow risks

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet the Group's working capital requirements.

The Group monitors the outstanding known obligations to ensure that the repayment and funding needs are met. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rate. However, the Group is only exposed on the interest income from fixed deposits placements.

(e) Foreign currency risk

The Group's current exposure to currency risk as a result of the foreign currency transactions entered into by the Group in currencies other than their functional currency is minimal.

4. *Segmental information*

Segmental information is not presented as the Group is involved in the provision of mobile contentsand data application services only. The Group is not involved in any other activities to

4. *Segmental information (continued)*

warrant separate reporting.

The contribution from operation in foreign country is not significant compared to the Group's operation to warrant geographical segment reporting.

5. *Acquisition and disposal of subsidiaries*

(a) Acquisition of subsidiaries

(i) On 5 January 2007, the Group had incorporated a wholly owned subsidiary in the People's Republic of China known as Beijing M-Mode Digital Technology Co., Ltd

(ii) On 15 February 2007, the Group acquired the entire issued and paid up capital of M-Mode Systems Sdn. Bhd (formerly known as Ultimate Reap Sdn. Bhd) comprising of two ordinary shares of RM 1.00 each for total purchase consideration of RM 2.00.

Detail of assets acquired, goodwill and cash flow arising from the acquisition were as follows:-

	At date of acquisition RM
Cost of acquisition	2
Consideration paid, satisfied in cash	2

6. *Revenue*

	2007 RM	2006 RM
Group		
Rendering of services	13,540,427	9,432,290
Company		
Management fees	134,425	94,096
Technical advisory fees	-	252,897
Dividend income	1,500,000	500,000
	1,634,425	846,993

7. *Direct costs*

Direct costs consists mainly of copyright fees, infrastructure costs, leased-line charges, script fees, licensing fees and revenue sharing with technical partner and telcos and other incidental costs incurred for the provision of mobile contents and data application services.

8. *Profit / (Loss) before tax*

Profit / (Loss) before tax is stated after charging:-

		Group		Company	
		2007	**2006**	**2007**	**2006**
	Note	**RM**	**RM**	**RM**	**RM**
Depreciation	12	1,023,713	1,386,235	6,228	4,756
Auditors' remuneration					
- current		22,849	12,000	4,000	2,500
- overprovision in prior year		-	(3,500)	-	-
- underprovision in prior year		-	-	1,200	-
Rental of premises		248,932	243,897	78,260	118,176
Personnel expenses (including key management personnel)	9				
- contribution to Employee Provident Fund		116,369	121,883	62,779	56,802
- wages, salaries and others		1,233,724	1,066,473	512,233	517,953
Property, plant & equipment written off		45,518	-	-	-
Interest expense		340	3,840	-	-
Amortisation of development costs	13	66,601	122,477	-	-
and after crediting:					
Interest income		140,645	134,152	129,011	127,685
Gain on disposal of property, plant & equipment		-	647	-	-
Rental income		-	54,400	-	54,400

Included in personnel expenses is nil (2006: RM58,884), being the fair value of the share options computed on the measurement date in accordance with FRS 2.

9. *Key management personnel compensation*

The key management personnel compensations are as follows:-

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Directors				
- Fees	22,500	35,029	22,500	35,029
- Remuneration	269,679	267,923	175,808	267,923
- Defined contribution plan	33,352	33,186	21,724	33,186
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	91,848	91,848	91,848	91,848
Total short-term employee benefits	417,379	427,986	311,880	427,986

10. *Tax expense*

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Current tax	(1,709)	(1,293)	-	-
Deferred tax	-	51,434	-	-
	(1,709)	50,141	-	-
Current tax				
Current year	(1,709)	(1,293)	-	-
	(1,709)	(1,293)	-	-
Deferred tax				
Origination and reversal of temporary differences	-	51,434	-	-
	(1,709)	50,141	-	-

Domestic current income tax is calculated at the statutory tax rate of 27% (2006:28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27% with effect from year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes. The Company and certain subsidiaries qualify for the reduced statutory tax rate of 20% on the first RM 500,000 (2006: RM 500,000) estimated assessable profit during the year.

However the Company has unabsorbed tax losses and unutilised capital allowances amounting to RM 746,550 (2006:RM 1,620,182) and RM 28,721 (2006: 18,054) respectively as at financial year to offset against any future taxable income.

Taxation for this other jurisdiction calculated at the rate prevailing in that jurisdiction.

The explanation of the relationship between tax expense and profit / (loss) before tax is as follows:-

10. Tax expense (continued)

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Profit / (Loss) before tax	1,191,095	414,921	612,798	(406,507)
Tax calculated at the Malaysian				
tax rate of –27% (2006: 28%)	682,796	116,178	30,455	(113,822)
20%	200,000	46,842	100,000	-
Tax effects of:				
- different tax rates in other countries	-	12,448	-	-
- expenses not deductible for tax purposes	(1,709)	94,234	-	92,826
- income not subject to tax	(752,341)	(277,552)	-	-
- utilisation of previously unrecognised tax losses	(130,455)	-	(130,455)	-
- temporary differences not recognised	-	57,991	-	20,996
	(1,709)	50,141	-	-

The subsidiary company, M-Mode Mobile Sdn. Bhd. (formerly known as eCentury Sdn. Bhd.) has no tax charge during the financial year as the subsidiary company has been awarded Multimedia Super Corridor status by the Government of Malaysia in 2003. Accordingly, there is no tax charge on the business income of the subsidiary company in 2007 and 2006 as the subsidiary company has been granted pioneer status under the Promotion of Investments (Amendment) Act, 1986.

11. Earnings per share - basic

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

	2007	**2006**
	RM	**RM**
Profit / (Loss) for the year	1,349,396	593,618
Weighted average number of ordinary shares in issue	145,987,313	144,400,500
Basic earnings per share (sen)	0.92	0.41

11. Earnings per share - basic (continued)

(b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares on the share options granted to the employees.

The diluted earnings per share is not shown as the effect is anti-dilutive.

12. Property, plant and equipment

	Property	Computer equipment	Renovation	Motor vehicles	Office equipment	Research & development equipment	Content library	Total
	RM	RM	RM	RM	RM	RM	RM	RM
Group								
Cost								
At 01.01.2007	-	233,948	53,266	141,703	157,534	1,694,226	2,422,359	4,703,036
Additions	2,010,950	130,070	-	-	48,911	99,097	105,548	2,394,576
Disposals	-	(7,934)	-	-	(49,237)	(900)	-	(58,071)
At 31.12.2007	2,010,950	356,084	53,266	141,703	157,208	1,792,423	2,527,907	7,039,541
Accumulated depreciation								
At 01.01.2007	-	65,148	14,238	113,363	33,313	920,302	1,828,673	2,975,037
Charge for the year	-	72,255	5,327	28,339	13,218	354,111	550,463	1,023,713
Disposals	-	(10,377)	-	-	(1,981)	(195)	-	(12,553)
At 31.12.2007	-	127,026	19,565	141,702	44,550	1,274,218	2,379,136	3,986,197
Carrying amount								
At 31.12.2007	2,010,950	229,058	33,701	1	112,658	518,205	148,771	3,053,344

12. Property, plant and equipment (continued)

	Computer equipment RM	Renovation RM	Motor vehicles RM	Office equipment RM	Research & development equipment RM	Content library RM	Total RM
Group							
Cost							
At 01.01.2006	48,471	47,785	141,703	149,178	1,687,030	2,131,291	4,205,458
Additions	192,795	5,481	-	15,896	7,196	291,568	512,936
Disposals	(7,318)	-	-	(7,540)	-	(500)	(15,358)
At 31.12.2006	233,948	53,266	141,703	157,534	1,694,226	2,422,359	4,703,036
Accumulated depreciation							
At 01.01.2006	26,251	8,911	85,022	23,123	585,465	862,839	1,591,611
Charge for the year	39,721	5,327	28,341	11,675	334,837	966,334	1,386,235
Disposals	(824)	-	-	(1,485)	-	(500)	(2,809)
At 31.12.2006	65,148	14,238	113,363	33,313	920,302	1,828,673	2,975,037
Carrying amount							
At 31.12.2006	168,800	39,028	28,340	124,221	773,924	593,686	1,727,999

12. Property, plant and equipment (continued)

	Computer equipment RM	Office equipment RM	Furniture & fixtures RM	Total RM
Company				
Cost				
At 01.01.2007	23,255	435	617	24,307
Additions	6,632	-	1,450	8,082
At 31.12.2007	29,887	435	2,067	32,389
Accumulated depreciation				
At 01.01.2007	6,111	44	61	6,216
Charge for the year	5,977	43	208	6,228
At 31.12.2007	12,088	87	269	12,444
Carrying amount				
At 31.12.2007	17,799	348	1,798	19,945

	Computer equipment RM	Office equipment RM	Furniture & fixtures RM	Total RM
Company				
Cost				
At 01.01.2006	7,300	-	-	7,300
Additions	15,955	435	617	17,007
At 31.12.2006	23,255	435	617	24,307
Accumulated depreciation				
At 01.01.2006	1,460	-	-	1,460
Charge for the year	4,651	44	61	4,756
At 31.12.2006	6,111	44	61	6,216
Carrying amount				
At 31.12.2006	17,144	391	556	18,091

13. *Intangible assets*

	Goodwill RM	Group Development costs RM	Total RM
Group			
At 1 January 2007	5,117,892	2,234,328	7,352,220
Additions	-	430,100	430,100
Amortisation charges	-	(66,601)	(66,601)
At 31 December 2007	5,117,892	2,597,827	7,715,719
Cost	5,117,892	2,923,225	8,041,117
Accumulated amortisation	-	(325,398)	(325,398)
Carrying amount	5,117,892	2,597,827	7,715,719
Group			
At 1 January 2006	4,587,481	1,166,787	5,754,268
Acquisition of subsidiaries (Note 5)	530,411	-	530,411
Additions	-	1,190,018	1,190,018
Amortisation charges	-	(122,477)	(122,477)
At 31 December 2006	5,117,892	2,234,328	7,352,220
Cost	5,117,892	2,493,125	7,611,017
Accumulated amortisation	-	(258,797)	(258,797)
Carrying amount	5,117,892	2,234,328	7,352,220

14. *Investments in subsidiaries*

	Company	
	2007 RM	2006 RM
Non-current assets		
Unquoted shares, at cost	7,917,620	7,637,902
Current assets		
Amount owing by subsidiaries	2,659,181	1,370,649

Amount owing by subsidiaries is unsecured and interest free with no fixed terms of repayment.

The principal activities of the subsidiaries, their places of incorporation and the interests of the Company are as follows:-

14. *Investments in subsidiaries(continued)*

Name of Company	Country of incorporation	Principal activities	Effective ownership interes	
			2007 %	2006 %
M-Mode Mobile Sdn. Bhd. (Formerly known as eCentury Sdn. Bhd)*	Malaysia	Provision of mobile contents and data application services	100	100
Mobile Multimedia Sdn. Bhd.*	Malaysia	Provision of mobile contents and data application services	100	100
Dalian M-Mode Dreamfun Technology Ltd.*	Republic of China	In process of liquidation	100	65
M-Mode Technology Sdn. Bhd.*	Malaysia	Provision of mobile contents and data	50	-
M-Mode Systems Sdn. Bhd.*	Malaysia	Provision of mobile contents and data	100	-
PT M-Mode Indo*	Republic of Indonesia	Provision of mobile contents and data application services	50	-
Beijing M-Mode Network Technology Co. Ltd.*	Republic of China	Provision of mobile contents and data application services	100	-

* Audited by firm of auditors other than Chanthiran & Co.

On 5 January 2007, the Group had incorporated a wholly owned subsidiary in the People's Republic of China known as Beijing M-Mode Digital Technology Co., Ltd (Beijing M-Mode). The incorporation of Beijing M-Mode does not have any material effect on the earnings and net assets of the Group for the financial year ending 31 December 2007. Beijing M-Mode has become a 100% owned subsidiary of the Group.

On 1 5 February 2007, the Group acquired the entire issued and paid-up capital of M-Mode Systems Sdn. Bhd. (formerly known as Ultimate Reap Sdn. Bhd.) comprising of two ordinary shares of RM 1.00 each for a total purchase consideration of RM 2.00. The incorporation of M-Mode System Sdn. Bhd. does not have any material effect on the earnings and net assets of the Group for the financial year ended 31 December 2007.M-Mode Systems Sdn. Bhd has become a 100% owned subsidiary of the Group.

14. Investments in subsidiaries(continued)

On 9 August 2007, the Group is in process to liquidate its wholly owned subsidiary, Dalian M-Mode Dreamfun Technology Ltd. The results of the Company does not have any material impact on the earnings and net assets of the Group for the financial year ended 31 December 2007.

15. Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet.

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
At start of year	271,114	219,680	219,680	219,680
Credited to income statement (Note 10):				
- tax losses	-	51,434	-	-
At end of year	271,114	271,114	219,680	219,680

16. Receivables, deposits and prepayments

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-trade receivables	281,968	105,987	72,415	66,273
Deposits	152,562	108,372	3,891	53,329
Prepayments	24,588	101,477	-	-
	459,118	315,836	76,306	119,602

17. Cash and cash equivalents

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Deposits with licensed banks	5,143,909	4,049,727	4,143,909	4,699,727
Bank and cash balances	4,483,999	2,309,564	1,691,516	559,482
	9,627,908	6,359,291	5,835,425	5,259,209

17. Cash and cash equivalents (continued)

The interest rate per annum of deposits that was effective at balance sheet date were as follows:-

	Group		Company	
	2007	**2006**	**2007**	**2006**
	%	**%**	**%**	**%**
Deposits with licensed banks	3.10	2.40	3.10	2.40

18. Share capital

	Group & Company	
	2007	**2006**
	RM	**RM**
Ordinary shares of RM0.10 each		
Authorised:		
At 1 January / 31 December	25,000,000	25,000,000
Issued and paid up:		
At 1 January	14,440,050	8,173,300
Issued during the year	1,444,000	6,266,750
At 31 December	15,884,050	14,440,050

(a) Employee Share Options Scheme (ESOS)

The Company's Employee Share Options Scheme is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 25 April 2005 and vested upon being granted. The ESOS is to be in force for a period of 10 years from the date of implementation.

The salient features of the ESOS are as follows:-

(i) The Options Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM0.10 each in the Company.

(ii) Subject to the discretion of the Options Committee, any employee whose employment has been confirmed and any executive directors holding office in a full time executive capacity of the Group, shall be eligible to participate in the ESOS.

(iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up

(a) Employee Share Options Scheme (ESOS) (continued)

(iii) capital of the Company.

(iv) The options price for each share shall be the price at which the Grantee is entitled to subscribe for an Option shall be the higher of the par value of the Company Shares and a price set at the five (5) days weighted average market price of the Company Shares prior to the date of the Offer.

(v) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

19. Reserves

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Share premium	1,140,101	1,056,755	1,139,616	1,056,755
Share option reserve	201,072	201,072	201,072	201,072
Translation reserve	(124,646)	(47,945)	-	-
	1,216,527	1,209,882	1,340,688	1,257,827

The share option reserve is in regard to the ESOS as mentioned in Note 18 to the financial statements.

The effect of the share option granted to the employees are computed by reference to the fair value of the options in accordance to the Black-Scholes-Merton option pricing model taking into consideration the following factors:-

(i) the exercise price of the option;
(ii) the life of the option;
(iii) the current price of the underlying shares;
(iv) the expected volatility of the share price;
(v) the dividends expected on the shares; and
(vi) the risk-free interest rate for the life of the option

19. Reserves (continued)

The number and weighted average exercise prices per share of the share options granted in 2007 are as follows:-

	Number of options	Weighted average exercise price per share SEN
Outstanding at the beginning of the year	5,303,200	12.00
Granted during the year	-	-
Forfeited / (Resigned) during the year	(293,000)	10.40
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year *	5,010,200	10.20
Exercisable at the end of the year	5,010,200	10.20

*The weighted average remaining contractual life is approximately 3 years.

The fair value of employee services received as consideration for the share options of the Company indirectly, by reference to the fair value of the share options granted. The weighted average fair value of those options at the measurement date and value of the variables applied in the Black-Scholes-Merton option pricing model are as follows:-

	2007	2006
Weighted average share price at measurement date	NIL	RM 0.39
Weighted average exercise price	NIL	RM 0.39
Expected volatility (annualized standard deviation on share price)	NIL	4.88%
Weighted average remaining options life	NIL	9.6 years
Expected dividend	NIL	NIL
Risk-free interest rate	NIL	3%

The expected volatility is a measure of the amount by which the share price is expected to fluctuate during a period based on the historical share price movement of the Company since floatation of the shares of the Company in Mesdaq market of Bursa Malaysia until the end of the current financial year. The measure of volatility used in this option pricing model is the annualized standard deviation of the continuously compounded rates of return on the historical share price of the Company.

There is no other feature incorporated in the measurement of fair value.

20. Payables and accruals

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-trade payables	74,256	55,056	22,889	63,196
Accrued liabilities	583,553	445,682	5,000	1,328
	657,809	500,738	27,889	64,524

21. Amount owing to a related company

The amount owing to a related company is unsecured, interest free and has no fixed terms of repayment.

22. Hire purchase payables

The minimum lease payments of the Group are as follows:-

	Group	
	2007 RM	2006 RM
Not later than 1 year	-	2,981
Future finance charges	-	(341)
Present value	-	2,640
Disclosed as:		
Current	-	2,640
Non-current		-
	-	2,640

The hire purchase payables bear interests at the rate of 2.99% to 3.50% (2005: 2.99 to 3.50%) per annum.

23. Significant related party disclosures

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, an associate and Directors.

Significant transactions and balances with related corporations are as follows:-

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Transaction with subsidiary				
Dividend income	1,500,000	50,000	1,500,000	500,000

Balances with subsidiaries company at balance sheet date are disclosed in Notes 6, 7 and 14 to the financial statements.

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

The Group does not have any other significant transactions with key management personnel other than as disclosed in Note 19.

LIST OF PROPERTY

Proprietor	M-Mode Mobile Sdn Bhd *(formerly known as eCentury Sdn Bhd)*
Title/ Location	Geran 37731/M1B/19/307, No. Petak 307, Tingkat 19, Bangunan M1 for Lot No. 144, Seksyen 44, Bandar Kuala Lumpur, Daerah Wilayah Persekutuan.
Date of Acquisition	9 August 2007
Description	A Parcel of Office
Approximate Age of Building	13 Years Old
Existing Use	Office
Built-Up Area	5,435 Square Feet
Tenure	Freehold
Net Book Value	RM2,010,950.00

SHAREHOLDING STATISTICS

AS AT 7TH MAY 2008

Share Capital

Authorised Share Capital	RM25,000,000.00
Issued and Fully Paid-Up Share Capital	RM15,884,050.00
Class of Shares	Ordinary Shares At RM0.10 Each
Voting Rights	One Vote Per Ordinary Share Held

Analysis of Shareholders by Range Group

Size Holding	No. of Holders	%	No. of Shares	%
1 – 99	27	1.923	1,255	0.000
100 – 1,000	79	5.626	21,070	0.013
1,001 – 10,000	551	39.245	3,096,025	1.949
10,001 – 100,000	624	44.444	22,543,200	14.192
100,001 – 7,942,024	122	8.689	79,022,650	49.749
Above 7,942,024	1	0.071	54,156,300	34.094
	1,404	100.000	158,840,500	100.000

Substantial Shareholders

		Direct Interest		Indirect Interest	
No.	Name of Shareholders	No. of Shares	%	No. of Shares	%
1	Lim Thean Keong	54,156,300	34.094	2,425,500	1.527

Directors' Shareholding

		Direct Interest		Indirect Interest	
No.	Name of Shareholders	No. of Shares	%	No. of Shares	%
1	Lim Thean Keong	54,156,300	34.094	2,425,500	1.527
2	Thong Kooi Pin	130,500	0.082	0	0.000
3	Fam Lee Ee	0	0.000	0	0.000
4	Mohd Zaini bin Noordin	0	0.000	0	0.000

SHAREHOLDING STATISTICS

AS AT 7TH MAY 2008

Thirty Largest Shareholders

No.	Name of Investors	No. of Shares	%
1	Lim Thean Keong	54,156,300	34.094
2	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Kuan Peng Ching @ Kuan Peng Soon (MM1076)	7,220,000	4.545
3	Chan Yook Chan	4,650,000	2.927
4	Lim A Heng @ Lim Kok Cheong	4,332,000	2.727
5	Ng Geok Hwa	3,128,400	1.969
6	Tung Wai Fun	3,092,400	1.946
7	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hew Yoon Hsia(REM612)	3,064,400	1.929
8	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chin Siew Yoong	2,945,600	1.854
9	Chua Shok Tim @ Chua Siok Hoon	2,888,000	1.818
10	Lai Mooi Far	2,445,200	1.539
11	Ching Wai Teng	2,425,500	1.527
12	Choong Yean Yaw	2,227,400	1.402
13	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Pau Kiew Hiong	1,704,400	1.073
14	Ahmad Razali Bin Mustaffa	1,575,000	0.991
15	Chan Yoke Peng	1,500,000	0.944
16	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Sieh Joo Chyn (MGN-SJC0001M)	1,426,100	0.897
17	Mohamad Azril Bin Abdul Razak	1,199,550	0.755
18	Raja Abdullah Bin Raja Baharudin	1,189,050	0.748
19	Teoh Eng Huat	1,000,000	0.629
20	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Er Soon Puay (PB)	857,400	0.539
21	Syed Sirajuddin Putra Jamalullail	840,000	0.528
22	Tan Auw Hock	800,000	0.503
23	Lim Bee Tat	787,500	0.495
24	Pau Kiew Hiong	765,000	0.481
25	Lai Hong Mun	750,000	0.472
26	Low Pak Seng	750,000	0.472
27	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohamad Azril Bin Abdul Razak (CEB)	681,500	0.429
28	Yap Kiew Huay	677,650	0.426
29	Sieh Joo Chyn	673,500	0.424
30	Poh Lai Yoke	650,000	0.409

NOTICE OF FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of the Company will be held at The Zon All Suites Residences On The Park, 161-D, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 19 June 2008 at 2.30 p.m. to transact the following business:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon. (Resolution 1)

2. To re-elect Lim Thean Keong who retires pursuant to Article 127 of the Company's Articles of Association. (Resolution 2)

3. To approve Directors' Remuneration for the financial year ended 31 December 2007. (Resolution 3)

4. To re-appoint Messrs Chanthiran & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 4)

Special Business

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:-

5. **ORDINARY RESOLUTION I**
Authority To Allot And Issue Shares (Resolution 5)

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company be and are hereby empowered to allot and issue shares in the Company at any time and upon such terms and conditions for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company unless revoked or varied by the Company at a general meeting."

6. **ORDINARY RESOLUTION II**
Proposed Authorisation to Enable M-Mode Berhad to Purchase up to 10% of the Issued and Paid-Up Ordinary Share Capital of the Company pursuant to Section 67A of the Companies Act, 1965 (Resolution 6)

"THAT, subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorized, to the fullest extent

AGENDA

6. **ORDINARY RESOLUTION II (continued)**

permitted by law, to purchase such amount of ordinary shares of RM0.10 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) an amount not exceeding the Company's audited share premium account of RM 1,139,616 for the financial year ended 31 December 2007 at the time of purchase(s) will be allocated by the Company for the purchase of own shares; and

(iii) the Directors of the Company may decide either to retain the shares purchases as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividend.

AND THAT the authority conferred by this resolution will commence immediately and will, subject to renewal thereat, expiry at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution (unless earlier revoked or varied by an Ordinary Resolution of the shareholders of the Company in a general meeting) but shall not prejudice the completion of purchase(s) by the Company or any person before that aforesaid expire date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authorities;

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any party of the purchased shares or to resell the shares or distribute the shares as dividends) in accordance with the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company and the requirements and/or guidelines of Bursa Securities for the MESDAQ Market and all other relevant governmental and/or regulatory authorities."

7. **To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.**

By Order of the Board

NG YEN HOONG [LS 008016]
JOANNE TOH JOO ANN [LS 0008574]
Company Secretaries

Petaling Jaya
28 May 2008

NOTES:-

(i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies and vote in his/her stead. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) shall not apply to the Company.

(ii) Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(iii) A member may appoint up to two (2) proxies to attend on the same occasion. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.

(iv) If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney duly authorized.

(v) The Form of Proxy must be deposited at the Registered Office of the Company at Level 14, Uptown 1, No. 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the meeting.

EXPLANATORY NOTE ON SPECIAL BUSINESS

1. *Ordinary Resolution I:* ***Authority to Directors to Allot and Issue Shares***
The Ordinary Resolution I proposed under Resolution 5, if passed, will give the Directors the authority to allot and issue new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

2. *Ordinary Resolution II:* ***Proposed Authorisation to Enable M-Mode Berhad to Purchase up to 10% of the Issued and Paid-Up Ordinary Share Capital of the Company pursuant to Section 67A of the Companies Act, 1965***

Please refer to the Circular to Shareholders dated 28 May 2008 for further information.

STATEMENT ACCOMPANYING NOTICE OF THE FOURTH ANNUAL GENERAL MEETING

Details of the Director who is standing for re-election in Agenda 2 of the Notice of the Fourth Annual General Meeting is set out in the profile of Directors appearing in page 4 of this Annual Report.

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M-MODE BERHAD

(Company No. 635759 U)

(Incorporated in Malaysia)

FORM OF PROXY

No. of shares held

I/We...

(Full Name in Capital Letters)

of...

(Full Address)

being a member(s) of **M-MODE BERHAD** ("Company") hereby appoint ....

....

(Full Name in Capital Letters)

of...
or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Fourth Annual General Meeting of the Company to be held at The Zon All Suites Residences On The Park, 161-D, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 19 June 2008 at 2.30 p.m. and at any adjournment thereof.

	RESOLUTIONS	*FOR	*AGAINST
	ORDINARY BUSINESS		
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2007.		
2.	To re-elect Lim Thean Keong who retires pursuant to Article 127 of the Company's Articles of Association.		
3.	To approve Directors' Remuneration for the financial year ended 31 December 2007.		
4.	To appoint Chanthiran & Co. as Auditor and to authorize the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
5.	Authority to the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
6.	Proposed Authorisation to enable M-Mode Berhad to purchase up to 10% of the issued and paid-up share capital of the Company pursuant to Section 67A of the Companies Act, 1965.		

(Please indicate with an "X" in the space provided above how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

____

Signature of
Shareholder(s) or Common Seal

Signed this .... day of ……………..2008

NOTES:-

(i) *A member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies and vote in his/her stead. A proxy need not be a member of the Company.*

(ii) *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

(iii) *A member may appoint up to two (2) proxies to attend on the same occasion. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.*

(iv) *If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney duly authorised.*

(v) *The Form of Proxy must be deposited at the Registered Office of the Company at Level 14, Uptown 1, No. 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the meeting.*

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AFFIX
STAMP
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The Company Secretary
M-MODE BERHAD
Level 14, Uptown 1,
No.1, Jalan SS21/58,
Damansara Uptown,
47400 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia.

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M-MODE BERHAD (635759 - U)
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