


# Building the Future ....stability through GROWTH

ANNUAL REPORT 2019

ECOBUILT

EcoBuilt Holdings Bhd (635759-U)
(Formerly known as M-MODE BERHAD)

# Contents





## Reports & Financial Statements

# CORPORATE INFORMATION

**BOARD OF DIRECTORS**

**Dato' Noordin Bin Sulaiman**
*Independent Non-Executive Chairman*

**Ong Chee Koen**
*Executive Director/Chief Executive Officer*

**Ir. Yap Nam Fee**
*Executive Director*

**Wong Wen Miin**
*Independent Non-Executive Director*

**Nirmala A/P Doraisamy**
*Independent Non-Executive Director*

**Mohd Zaini Bin Noordin**
*Independent Non-Executive Director*

**AUDIT COMMITTEE**

**Wong Wen Miin**
*Chairman/Independent Non-Executive Director*

**Nirmala A/P Doraisamy**
*Independent Non-Executive Director*

**Mohd Zaini Bin Noordin**
*Independent Non-Executive Director*

**NOMINATION COMMITTEE**

**Nirmala A/P Doraisamy**
*Chairman/Independent Non-Executive Director*

**Mohd Zaini Bin Noordin**
*Independent Non-Executive Director*

**Dato' Noordin Bin Sulaiman**
*Independent Non-Executive Director*

**REMUNERATION COMMITTEE**

**Mohd Zaini Bin Noordin**
*Chairman/Independent Non-Executive Director*

**Dato' Noordin Bin Sulaiman**
*Independent Non-Executive Director*

**COMPANY SECRETARIES**

**Joanne Toh Joo Ann** (LS 0008574)
**Sia Ee Chin** (MAICSA 7062413)

**REGISTERED OFFICE**
Unit 30-01, Level 30, Tower A, Vertical Business Suite
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : 03-2783 9191
Fax : 03-2783 9111

**SHARE REGISTRAR**
**Tricor Investor & Issuing House Services Sdn Bhd**
(Company No. 11324-H)
Unit 32-01, Level 32, Tower A, Vertical Business Suite
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : 03-2783 9299
Fax : 03-2783 9222

**PRINCIPAL BANKER**

Public Bank Berhad
RHB Bank Berhad
CIMB Bank Berhad

**STOCK EXCHANGE LISTING**

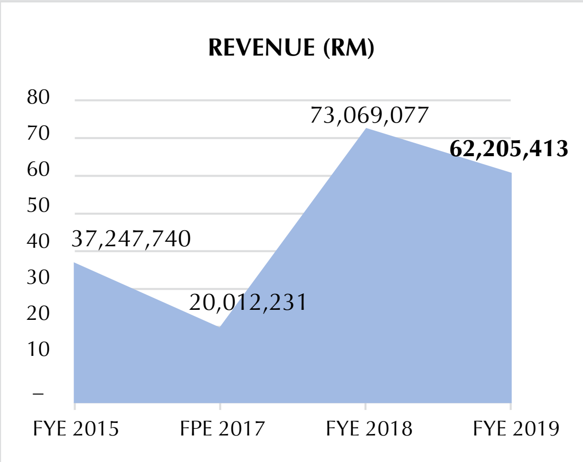
Bursa Malaysia Securities Berhad (MAIN Market)
Stock Name : ECOHLDS
Stock Code : 0059

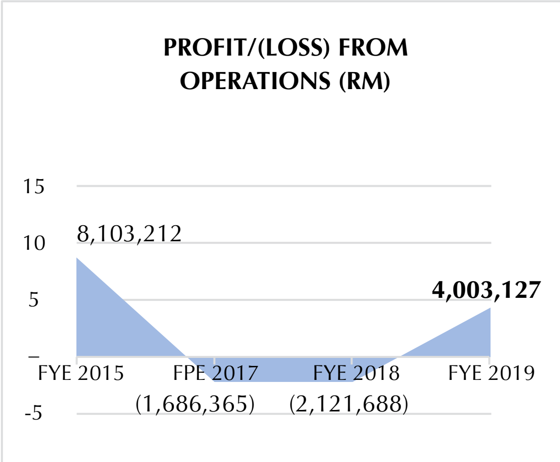
**AUDITOR**

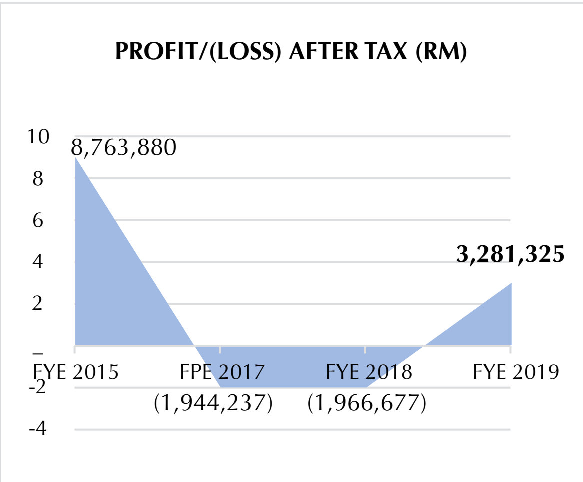
**Morison Anuarul Azizan Chew**
18, Jalan Pinggir 1/64, Jalan Kolam Air
Off Jalan Sultan Azlan Shah (Jalan Ipoh)
51200 Kuala Lumpur, Malaysia
Tel : 03-4048 2888

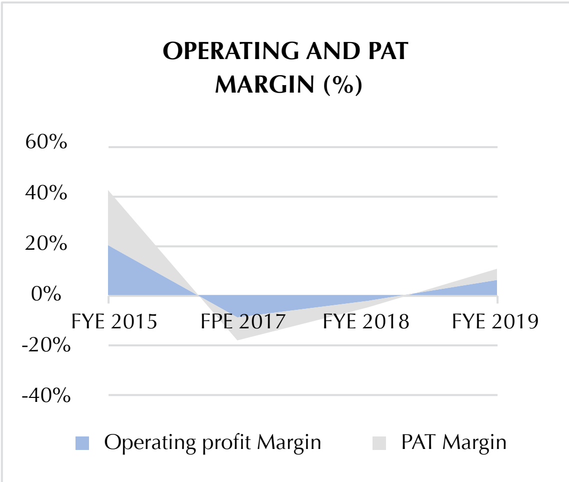
**CORPORATE WEBSITE**
www.eco-built.com.my

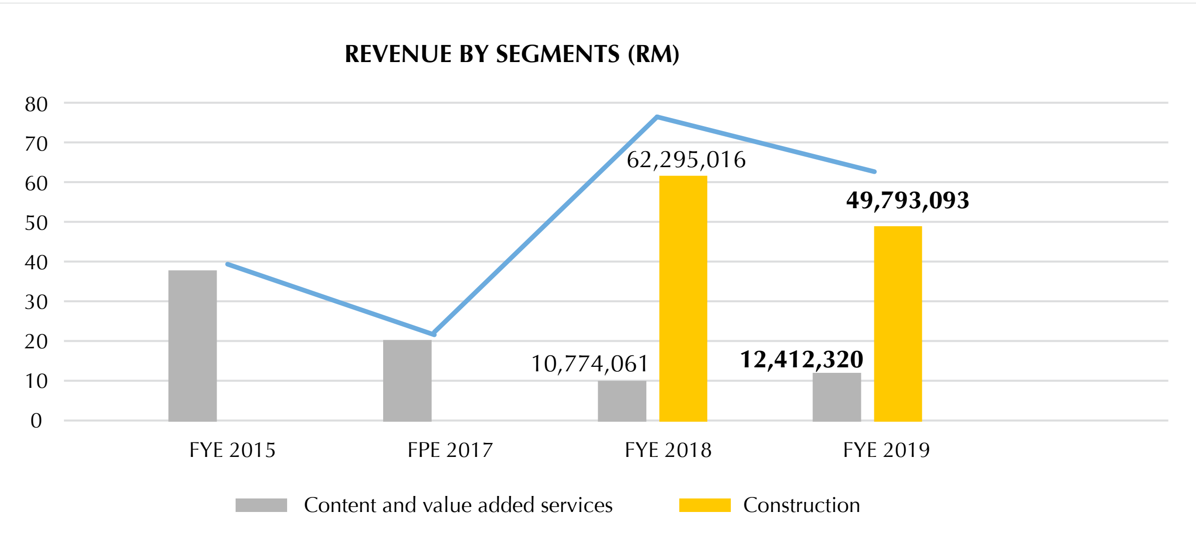
# FINANCIAL HIGHLIGHTS



# MANAGEMENT DISCUSSION AND ANALYSIS DISCLOSURES

## OVERVIEW OF THE GROUP'S BUSINESS

Established since 2004, the Group which was principally involved in development and distribution of mobile value-added contents and its related services which include digital applications, mobile games, video contents, SMS/MMS and mobile payment platforms has diversified into the property construction sector through our wholly-owned subsidiary company, E&J Builders Sdn. Bhd. ("E&J") in FYE2018. During the financial year, the Group has changed its name to Ecobuilt Holdings Berhad (formerly known as M-Mode Berhad) ("Ecobuilt").

Ecobuilt will continue to actively tender for more infrastructure and buildings projects to grow our construction business segments while developing more engaging, educational, entertaining and trending contents that will be marketed globally in order to boost our content and value-added business segment.

## FINANCIAL PERFORMANCE REVIEW

| | FYE 2019 RM'000 | FYE 2018 RM'000 | Variance RM'000 | % |
|---|---|---|---|---|
| **Statements of Profit or Loss and Other Comprehensive Income** | | | | |
| Revenue | 62,205 | 73,069 | (10,864) | (14.9) |
| Purchases and other direct costs | (46,044) | (57,972) | 11,928 | (20.6) |
| Other operating income | 766 | 1,625 | (859) | (52.9) |
| Other operating expenses | (5,950) | (12,409) | 6,459 | (52.1) |
| Profit/(Loss) from operations | 4,003 | (2,122) | 6,125 | >100.0 |
| Finance costs | (89) | (1) | (88) | >100.0 |
| Profit/(Loss) before tax | 3,914 | (2,132) | 6,046 | >100.0 |
| | **31 May 2019 RM'000** | **31 May 2018 RM'000** | **Variance RM'000** | **%** |
| **Statements of Financial Position** | | | | |
| Non-current assets | 9,955 | 5,646 | 4,309 | 76.3 |
| Current Assets | 86,046 | 75,436 | 10,610 | 14.1 |
| Total Liabilities | 23,085 | 12,359 | 10,726 | 86.8 |
| **Statements of Cash Flows** | | | | |
| Net cash used in operating activities | (23,243) | (2,742) | (20,501) | >100.0 |
| Net cash (used in)/generated from investing activities | (906) | 4,015 | (4,921) | (>100.0) |
| Net cash used in financing activities | (576) | (4) | (572) | >100.0 |
| Cash and cash equivalents as at 31 May | 18,784 | 43,491 | (24,707) | (56.8) |

### Review on Statements of Profit or Loss and Other Comprehensive Income

The Group's total revenue has decreased by RM10.9 million or 14.9% from RM73.1 million in FYE2018 to RM62.2 million in FYE2019. The decrease is mainly due to lower revenue recorded from our construction business segment as substantial portion of project H2O has been completed in FYE2018 as well as the overall slowdown in the construction sector during the financial year.

Our residential projects located at Damansara West with a combine contract value of approximately RM10.4 million is progressing as scheduled, generating a total revenue of approximately RM2.0 million in FYE2019.

The Group has secured two (2) new projects in FYE2019, namely The Shore and Platinum OUG Residence which has a combine contract value of RM464.6 million. Collectively, both projects have generated a total revenue of RM42.5 million during the financial year.

# MANAGEMENT DISCUSSION AND ANALYSIS DISCLOSURES (CONTINUED)

**Review on Statements of Profit or Loss and Other Comprehensive Income (continued)**

Revenue generated from contents and value-added business segment has also increase by approximately 18.6% from RM10.5 million in FYE2018 to RM12.4 million in FYE2019. However, our Group continues to come under pressure from the increasing uptake of over-the-top (OTT) applications combined with more intense competition among existing industry participants.

The purchases and other direct costs mainly consist of purchase of materials, architectural cost and sub-contractor costs. This has decrease from RM58.0 million in FYE2018 to RM46.0 million in FYE2019 in line with the decrease in revenue generated from our construction business segment.

Our other operating income has decrease by 52.9% from RM1.6 million in FYE2018 to RM0.8 million in FYE2019 mainly due to lower interest income received.

The Group's total operating expenses amounted to RM6.0 million in FYE2019, representing a decrease of 52.1% from RM12.4 million in FYE2018. Our operating expenses has normalised during FYE2019 as no additional impairment on goodwill and development costs provided during this financial year.

Finance cost increase substantially from RM1,000 in FYE2018 to RM89,000 in FYE2019 as the Group has drawdown new term loans and finance lease facilities for the purchase of freehold building and plant and machineries.

Overall the Group has recorded a profit before tax of RM3.9 million in FYE2019 as compared to the loss before tax of RM2.1 million in FYE2018 mainly due to the absent of one-off expenses such as the impairment loss on goodwill and development costs.

**Review on Statements of Financial Position**

The Group's non-current assets increased by 76.3% from RM5.6 million as at 31 May 2018 to RM10.0 million as at 31 May 2019. The increase was mainly due to the purchase of freehold building and other machineries.

Current assets amounted to RM86.0 million as at 31 May 2019, representing increase of 14.1% or RM10.6 million from RM75.4 million as at 31 May 2018. The increase was mainly due to higher trade and other receivables by RM15.0 million and RM14.3 million respectively. The increase in trade receivables were mainly due to slower collection from the customers while the increase in other receivables were mainly due to advances paid to the sub-contractor for commencement of a construction project. The Group's contract assets has also increase by RM6.2 million as at 31 May 2019, representing physical construction work done which has not been billed. These are set-off by a decrease in cash and cash equivalents by RM24.7 million as at 31 May 2019.

As at 31 May 2019, the Group's total liabilities increase by RM10.7 million from RM12.4 million as at 31 May 2018 to RM23.1 million as at 31 May 2019. The increase is mainly due to higher amount of payable which increased by RM8.2 million. In addition, our Group's has drawdown additional bank borrowings from term loan and finance lease liabilities amounting to RM1.5 million and RM1.0 million respectively for the purchase of property, plant and equipment.

**Review on Statements of Cash Flow**

The Group recorded a net cash used in operating activities of RM23.2 million as at 31 May 2019 as compared to a net cash used in operating activities of RM2.7 million as at 31 May 2018. This was mainly due to slower collections from our customers during the financial year end and advances paid to the sub-contractor for commencement of a construction project.

# MANAGEMENT DISCUSSION AND ANALYSIS DISCLOSURES (CONTINUED)

**Review on Statements of Cash Flow (continued)**

The Group recorded a net cash used in investing activities of RM0.9 million as at 31 May 2019 as compared to a net cash generated from investing activities of RM4.0 million as at 31 May 2018 mainly due to the purchase of property, plant and equipment amounted to RM2.4 million.

The Group recorded a net cash used in financing activities amounting to RM0.6 million as at 31 May 2019 as compared to a net cash used in financing activities of RM4,000 as at 31 May 2018. The net cash used in financing activities is mainly due to the repayment of finance lease liabilities amounted to RM0.5 million.

## CAPITAL EXPENDITURE

The Group does not have any authorized and contracted capital expenditure as at 31 May 2019.

## RISK RELATING TO OUR BUSINESS

**Competition and business diversification risks**

Ecobuilt Group face direct competition from both new entrants and existing companies involved in the construction industry. Our Group may also be disadvantaged as a new entrant in the construction industry due to lack of relevant track record and brand name compared to the existing construction companies which may enjoy established brand names and entrenched reputation in the industry.

Nevertheless, our Group seeks to be competitive in the construction industry by being cost efficient through effective project management and cost control policies, providing quality products and competitive pricing as well as actively seeking new opportunities in the construction industry.

**Dependency on key personnel**

Ecobuilt Group's involvement in the construction industry will depend on the abilities, skills, experience and competency of Ong Chee Koen, Ir. Yap Nam Fee and other key management personnel. Our Board believes that our Group has the capacity, capabilities and resources to diversify and expand into the construction industry after taking into consideration the competency and experience of Ong Chee Koen, being our Chief Executive Officer and Ir. Yap Nam Fee, being our Executive Director, whom our Board deems to be the main key management personnel who will be instrumental in our Group's diversification into the construction industry. Ong Chee Koen and Ir. Yap Nam Fee have been involved in the construction industry for over 20 years. They will be supported by management personnel as well as external consultants such as the architects, engineers, surveyors, subcontractors and other consultants.

The loss of any of Ong Chee Koen, Ir. Yap Nam Fee or other key management personnel without suitable and timely replacement may adversely affect our Group's construction business. Our Group is aware of such a risk and will strive to retain its key personnel by way of attractive remuneration and project-based incentives. There is no management agreement entered into between the key management personnel and our Group.

Nevertheless, this is mitigated by the fact that Ong Chee Koen is not only our Chief Executive Officer but also a substantial indirect shareholder in our Company, holding 20.62% through E&J Venture Sdn. Bhd., Ecobuilt (M) Sdn. Bhd. and his spouse as at August 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS DISCLOSURES (CONTINUED)

**Economic, political and regulatory risks**

Any adverse developments in political, economic, market, interest rate, taxation, regulatory and social conditions may materially affect our Group's involvement in the construction industry. These include changes which are beyond our Group's control. Our Group intends to mitigate such risks by continuously reviewing our business development strategies to respond to changes in such factors and conditions.

## DIVIDENDS

Ecobuilt Group did not declare any dividend for the year ended 31 May 2019 as we see a need in consolidating our cash flow and balances for our business expansion plan and as working capital.

## FUTURE PROSPECT AND OUTLOOK

The global economy is expected to expand at a more moderate pace in 2019.

Against the backdrop of a challenging global environment, growth in the Malaysian economy is expected to remain broadly sustained for the year. Growth will be supported by continued expansion in domestic demand amid a moderate support from the external sector. The construction sector is anticipated to expand, albeit at a moderate pace largely due to near completion of several mega projects as we as property overhang, particularly in the non-residential subsector. In 2019, the sector is expected to improve marginally following an increase in new planned supply in the affordable homes and industrial segments.

Premised on the positive outlook for the construction industry, our Board is positive that with the expertise and experience of its key management personnel, our Group would be able to enhance our Group's profitability and shareholder value.

# BOARD OF DIRECTORS

**Dato' Noordin Bin Sulaiman, Male, aged 62,** Malaysian citizen, is the Independent Non-Executive Chairman of Ecobuilt Holdings Berhad (formerly known as M-Mode Berhad) ("Ecobuilt" or "Company"). He was appointed to the Board on 01 November 2018. He graduated with Bachelor Degree (Hons) from University Malaya in 1980. He then obtained his Diploma in Public Management and Diploma in Management Science from Institut Tadbiran Awam Negara (INTAN) in 1981 and 1986 respectively.

He started his career as assistant for Director in the Implementation & Coordination Unit (ICU), Prime Minister's Department in 1981. Throughout his 36 years of service with the Government, he was involved in several roles in various government departments such as assistant for Director in Public Service Department, Principal Assistant Secretary for Ministry of Defence Sabah, Principal Assistant District Officer (Development) for District and Land Office Hulu Langat, Principal Assistant District Officer (Land) for District and Land Office Hulu Langat, Secretary for Shah Alam City Council, District Officer for District and Land Office Klang and Deputy Secretary for Selangor State Economic Planning. Prior to his retirement, he held the position of State Treasury Officer for Selangor Government Office from 2012 to 2017.

Currently, Dato' Noordin is also a Non-Independent Non-Executive Director of Theta Edge Berhad, Putrajaya Perdana Berhad and an Independent Non-Executive Director of Worldwide Holdings Berhad and Kumpulan Hartanah Selangor Berhad.

He is a member of the Nomination Committee and Remuneration Committee of the Company. He has no family relationship with any other Directors and/or substantial shareholders of Ecobuilt. He has no conflict of interest with Ecobuilt and has no convictions for any offences within the past 5 years other than traffic offences or any public sanction or penalty imposed by the regulatory bodies during the financial year.

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**Ong Chee Koen, Male, aged 63,** Malaysian citizen, is an Executive Director and Chief Executive Officer of Ecobuilt. He was appointed to the Board on 20 March 2017. He is an experienced construction and property development professional who is also a graduate in Civil Engineering. He has more than 40 years' experience in both public and private company. He started his career in construction in late 70's as a Site Engineer, has both supervision and management experience inseveral public and private projects namely development for UKM University in Bangi, USM in Penang, Price Hotel in Kuala Lumpur and several public buildings in peninsular Malaysia in the 80's and 90's. His strength in construction and project management has him being entrusted by public work department to recovery and turnaround 3 abandoned public project during the late year 80's financial crisis. On completion, together with his partner, the project management company were rewarded as PKK class (A) registered construction company. He is also highly valued for his business acumen, having hands on experiences and involvement in IPOs, acquisition and merger scheme.

Apart from his spouse, Siow Lee Fah, who is a sustantial Shareholder of Ecobuilt, he has no family relationship with any other Directors and/or substantial shareholders of Ecobuilt. He has no conflict of interest with Ecobuilt and has no convictions for any offences within the past 5 years other than traffic offences or any public sanction or penalty imposed by the regulatory bodies during the financial year. He does not hold any directorship in other public companies and listed issuers.

# BOARD OF DIRECTORS (CONTINUED)

**Ir. Yap Nam Fee, Male, aged 50,** Malaysian citizen, is an Executive Director of Ecobuilt. He graduated in civil engineering from Universiti Sains Malaysia in year 1994. He is also a professional engineer registered with the Board of Engineers Malaysia.

He is currently the Project Director of Ecobuilt and the Group Managing Director of E&J Group of Companies ("E&J"). He is responsible for project development, project management and project coordination for the ongoing construction works and future projects of E&J.

With more than 24 years of valuable experience in infrastructure, building and property development field, Ir. Yap has worked through the corporate ladder in this sector. He started his career as a Project Engineer in Gamuda Berhad and thereafter with Kennison Brothers Construction as a Senior Project Manager. He is also one of the founders of Pembinaan E&J Sdn. Bhd. with strong and dynamic leadership skills in leading the company in completing every project under his guidance.

He has no family relationship with any other Directors and/or substantial shareholders of Ecobuilt. He has no conflict of interest with Ecobuilt and has no convictions for any offences within the past 5 years other than traffic offences or any public sanction or penalty imposed by the regulatory bodies during the financial year. He does not hold any directorship in other public companies and listed issuers.

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**Madam Wong Wen Miin, Female, age 62,** a Malaysian citizen, is an Independent Non-Executive Director of Ecobuilt. She was appointed to our Board on 1 November 2018. Madam Wong earned her Masters in Economics from University of Malaya in 2006 and graduated in Resource Economics from University of Agriculture Malaysia in year 1983.

Madam Wong began her career in 1983 with the Ministry of Works Malaysia where she was responsible for the budgeting, coordination, and management of public roads, government buildings and water projects in Sarawak, Sabah and Labuan. In 1988, she was transferred from the Ministry of Works to the Ministry of Finance Malaysia. During her tenure of over 30 years there, she was involved in the preparation of loan agreements, facilitation of multilateral loan agreements between the Malaysian government and international organisations, consolidation of financial laws into the Financial Services Act and Islamic Financial Services Act with Bank Negara Malaysia as well as the establishment of standard operating procedures for terms and conditions in the granting of house loans to civil servants.

In 2017, she was promoted from the position of the Deputy Under Secretary (Investment Evaluation Sector) of the Strategic Investment Division of the Ministry of Finance Malaysia to the Prime Minister's Department as the Deputy Director General (Special Projects) of the Public Private Partnership Unit. There, she contributed significantly in the fast-tracking and the conclusion of privatisation projects using the concept of Public Private Partnership together with relevant government ministries/agencies and private companies. She then retired in June 2018 from the position of the Deputy Director General and currently serve as Independent Non-Executive Director in another public listed company namely Kim Teck Cheong Consolidated Berhad.

She is also the Chairman of the Audit Committee of the Company. She has no family relationship with any other Directors and/or substantial shareholders of Ecobuilt. She has no conflict of interest with Ecobuilt and has no convictions for any offences within the past 5 years other than traffic offences or any public sanction or penalty imposed by the regulatory bodies during the financial year.

# BOARD OF DIRECTORS (CONTINUED)

**Nirmala A/P Doraisamy, Female, aged 53,** Malaysian citizen, is an Independent Non-Executive Director of Ecobuilt. She was appointed to the Board on 19 August 2013. She graduated with Bachelor Degree in Economics (Hons) from University Malaya and an MBA from International Islamic University. She is a Chartered Global Management Accountant and a member of the Malaysian Institute of Accountants (MIA) and Fellow, Chartered Institute of Management Accountants.

She has 29 years experience in banking, risk management and project management. She started her career with an established local bank. Her vast experience encompasses various aspects of banking such as branch banking, SME, corporate and commercial lending. She has substantial experience in restructuring of corporate and commercial loans and portfolio risk management. After 17 years of experience with local banks, she joined Credit Guarantee Corporation Berhad (subsidiary of Central Bank of Malaysia) where she headed the Risk Management Department and was responsible for setting up the department and the Enterprise Risk Management framework. She spearheaded the credit, investment and operational risk management units and ensured effective execution of the responsibilities.

Currently, Madam Nirmala is also an Independent Non-Executive Director of Evergreen Fibreboard Berhad.

She is the Chairman of the Nomination Committee and also a member of the Audit Committee of the Company. She has no family relationship with any other Directors and/or substantial shareholders of Ecobuilt. She has no conflict of interest with Ecobuilt and has no convictions for any offences within the past 5 years other than traffic offences or any public sanction or penalty imposed by the regulatory bodies during the financial year.

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**Mohd Zaini bin Noordin, Male, aged 57,** Malaysian citizen, is an Independent Non-Executive Director of Ecobuilt. He was first appointed to the Board on 13 September 2004. He resigned as a Director on 22 October 2012 and was re-appointed on 25 August 2016. He completed courses in Insurance and Actuarial Science from Indiana University in United States of America. He is the founder of MOL Access Portal Berhad and has more than twenty six (26) 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 Berhad. 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.

He is the Chairman of the Remuneration Committee and also a member of the Audit Committee and Nomination Committee of the Company. He has no family relationship with any other Directors and/or substantial shareholders of Ecobuilt. He has no conflict of interest with Ecobuilt and has no convictions for any offences within the past 5 years other than traffic offences or any public sanction or penalty imposed by the regulatory bodies during the financial year. He does not hold any directorship in other public companies and listed issuers.

# KEY SENIOR MANAGEMENT

**Nga Li Fang, Female, aged 40,** Malaysian citizen, she was appointed as Chief Operating Officer in Contents and Value Added Services segment of Ecobuilt on 25 July 2018. She graduated with a Bachelor in Business Administration from the University of Abertay Dundee, UK, in 2000, and Master in Business Administration from University of Sunshine Coast, Australia, in 2008.

Ms Nga has been with Ecobuilt for 11 years, she is responsible for strategic and tactical matters in the areas of business and product developments, talent development and developing business strategies and framework to support the Group's overall goal and direction. Ms Nga began her career on e-Commerce and e-Enablement development in local insurance industry. In 2006, she joined Multimedia Development Corporation ("MDEC"), a government-linked agency ("GLC"), in promoting the development of Information, Communication, Technology ("ICT") industry in Malaysia and facilitating marketing and export collaboration opportunities with the related foreign GLCs and private entities.

She was formerly Secretary of Malaysian Mobile Content Provider Association (MMCPA) for the Term 2015-2017. She is currently remains a council member in the Association.

She does not hold any directorship in other public companies and listed issuers.

She has no family relationship with any other Directors and/or substantial shareholders of Ecobuilt. She has no conflict of interest with Ecobuilt and has no convictions for any offences within the past 5 years other than traffic offences or any public sanction or penalty imposed by the regulatory bodies during the financial year.

# AUDIT COMMITTEE REPORT

## A. MEMBERS AND MEETING ATTENDANCE

The Audit Committee ("AC") was established by the Board of Directors and comprises three (3) members who are Independent Non-Executive Directors.

Pursuant to the Terms of Reference of AC, the Committee shall be appointed by the directors from among themselves and shall not be fewer than three (3) members. All the AC members must be Non-Executive Directors, with a majority of independent directors. The Chairman of the AC shall be an independent director and shall not be the Chairman of the Board. The Chief Executive Officer and the alternative director shall not be a member of the AC. At least one member of the AC:-

(i) must be a member of the Malaysian Institute of Accountants; or
(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
  (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  (bb) he must be a member of one of the association of accountants specified in Part II of 1st Schedule of the Accountants Act 1967; or
(iii) fulfills such other requirements as prescribed or approved by the Exchange.

The AC held a total of five (5) meetings during the financial year ended 31 May 2019 and details of the members and their attendance record are as follows:-

| Name of Audit Committee Member | Meetings Attended |
|---|---|
| Wong Wen Miin (Chairman, Independent Non-Executive Director)<br>– appointed as Chairperson on 1 November 2018 | 2/2 |
| Nirmala A/P Dorasaimy (Independent Non-Executive Director) | 5/5 |
| Mohd Zaini Bin Noordin (Independent Non-Executive Director)<br>– appointed as member on 1 November 2018 | 2/2 |
| Abdul Razak Bin Dato' Hj. Ipap (Independent Non-Executive Director)<br>– retired on 15 November 2018 | 3/3 |
| Thong Kooi Pin (Non-Independent Non-Executive Director)<br>– retired on 15 November 2018 | 3/3 |

The Committee may invite the External Auditors, any other Board members and senior management of the Group to be present during meetings to assist in its deliberations. At least once a year, the Committee shall meet with the External Auditors and without the presence of Management and the Executive Directors.

## B. TERMS OF REFERENCE

The Terms of Reference of the AC is available for viewing at the Company's website at www.eco-built.com.my. The last review of the Term of Reference of the AC was on 30 April 2018.

# AUDIT COMMITTEE REPORT (CONTINUED)

## C. SUMMARY OF ACTIVITIES OF AC

During the financial year ended 31 May 2019, the following activities were carried out by the AC:-

(a) Overview of Financial Performance and Reporting

i. Reviewed the unaudited quarterly financial results and recommend the same to the Board for approval;
ii. Reviewed the draft audited financial statements of the Company for the financial year ended 31 May 2018 and recommended the same to the Board for approval;
iii. Reviewed the financial performance of the Company and the Group;
iv. Reviewed the Group's compliance with the accounting standards and relevant regulatory requirements; and
v. Reviewed and discussed the draft Circular on the proposed acquisition and proposed private placement.

(b) Oversight of External Audit

i. Reviewed the Audit Review Memorandum for the financial year ended 31 May 2018 presented by the External Auditors, entailing the significant audit findings, significant deficiencies in internal control, status of audit, compliance with the ethical requirements on independence, communication with the AC, summary of audit adjustments, summary of unadjusted differences and total audit and non-audit fees;
ii. Reviewed the Audit Planning Memorandum for the financial year ended 31 May 2019, entailing mainly the overview of audit approach and areas of audit emphasis of the Group;
iii. Reviewed and evaluated the adequacy and effectiveness of the Group's accounting policies, procedures and system of internal controls;
iv. Private discussion with the External Auditors without the presence of Management and the Executive Directors; and
v. Reviewed the suitability and independence of the External Auditors and upon reviewed and being satisfied with the results of the said assessment, the same has been recommended to the Board for approval.

(c) Oversight of Internal Audit

i. Reviewed the reports from the Internal Auditors on Tender Management Process and assessed the Internal Auditors' findings and Management's responses and made the necessary recommendations to the Board for notation;
ii. Reviewed and approved the annual IA plan presented by the Internal Auditors after being satisfied with the contents' suitability, adequacy and scope of coverage;
iii. Reviewed the existing internal controls and work processes undertaken by the respective departments in the Group under review for relevant areas or businesses and the Group's systems and practices for identification and management of risks; and
iv. Reviewed and recommended improvements to the existing internal controls and risk management system of the Group.

# AUDIT COMMITTEE REPORT (CONTINUED)

## C. SUMMARY OF ACTIVITIES OF AC (CONTINUED)

(d) Reviewed of Related Party Transactions

Monitored and reviewed the related party transactions and any conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises the question of Management integrity on a quarterly basis.

(e) Oversight of Internal Control Matters

i. Reviewed and confirmed the minutes of the AC Meetings; and
ii. Reviewed the AC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2019.

## D. INTERNAL AUDIT FUNCTION

The Board has outsourced its internal audit function to an independent professional services firm with suitable experience and capabilities to handle the internal audit functions, who reports directly to the AC, to assist the Committee in discharging its duties and responsibilities.

The scope of internal audit encompass the examination and evaluation of the adequacy, existence and effectiveness of the Group's governance, system of internal control structure and the quality of performance in carrying out assigned responsibilities to achieve the Group's stated goals and objectives.

The internal auditors also perform ad-hoc appraisals, inspections, investigations, examinations and reviews as may be requested by the Committee or senior management from time to time.

The Statement on Risk Management and Internal Control with an overview of the state of the risk management and internal controls within the Group is found on pages 35 to 38 of this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is committed to ensure that a high standard of corporate governance is practised throughout Ecobuilt Holdings Berhad (formerly known as M-Mode Berhad) ("Ecobuilt") and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism, to protect and enhance shareholders' value and the financial position of the Group.

The Board recognises the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance ("MCCG") to enhance business prosperity and maximize shareholders' value. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

Below is a statement and description in general on how the Group has applied the principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 2019 ("FYE2019") pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The detailed application by Ecobuilt for each practise set out in the MCCG during the financial year is disclosed in the Corporate Governance Report ("CG Report") in the Bursa Securities' website at www.bursamalaysia.com.

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS**

**PART I – BOARD RESPONSIBILITIES**

**1. Board's Leadership on Objectives and Goals**

**1.1 Strategic Aims, Values and Standards**

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. Hence, to develop corporate objectives and position descriptions including the limits to management's responsibilities, which the management is aware and is responsible for meeting.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are systems in place that effectively monitor and manage these risks with a view to the long term viability of the Group.

The principal roles and responsibility assumed by the Board are as follows:

- Review and Adopt Strategic Plan of the Group

  The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board presented with the short and long-term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitor budgetary exercise which supports the Group's business plan and budget plan.

- Implementation of Internal Compliance Controls and Justify Measure to Address Principle Risks

  The Board is fully alert of the responsibilities to maintain a proper internal control system. The Board's responsibilities for the Group's system of internal controls are including financial condition of the business, operational, regulatory compliance as well as risk management matters.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

**PART I – BOARD RESPONSIBILITIES (CONTINUED)**

**1. Board's Leadership on Objectives and Goals (continued)**

**1.1 Strategic Aims, Values and Standards (continued)**

- To Formulate and have in place an Appropriate Succession Planning

  The Board is responsible to formulate and have in place an appropriate succession plan encompassing the appointment, training and determination of compensation for senior management of the Group, as well as assessing the performance of Directors and Committee members and, where appropriate, retiring and appointing new member of the Board and Executive Directors.

- Developing and Implementing an Investor Relations Program or Shareholder Communications Policy for the Group

  The Board recognises that shareholder and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, the Group's website is the primary medium in providing information to all shareholders and stakeholders.

**1.1.1 Clear Roles and Responsibilities**

The Board assumes the following responsibilities:

- Reviewing, adopting and monitoring strategic plans for the Group;
- Overseeing the conduct of the Company's business by receiving updates and sharing by the Chief Executive Officer during the quarterly Board meeting;
- Identifying risks and assume active role in ensuring the implementation of appropriate systems to manage or mitigate these risks;
- Delegating responsibility to the Nomination Committee on succession planning, including appointing, training, fixing the compensation of the key managements and the adoption of succession policy;
- Ensuring measures are in place to assess and oversee Management's performance;
- Developing and implementing an investor relations programme or shareholder communications policy for the Group; and
- Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines. The details on the internal control systems are stated in the Statement of Risk Management and Internal Control.

**1.1.2 Clear Functions of the Board and Management**

The Board is responsible for the oversight and overall management of the Company while delegating specific authorities to the Audit Committee, Nomination Committee, and Remuneration Committee ("the Board Committees") and the Chief Executive Officer in ensuring its responsibilities and function been discharged effectively. The Board reserves for its consideration significant matters such as the following:

- Approval of financial results;
- Declaration of dividends;
- Business acquisition; and
- Corporate proposal.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

**PART I – BOARD RESPONSIBILITIES (CONTINUED)**

**1. Board's Leadership on Objectives and Goals (continued)**

**1.1 Strategic Aims, Values and Standards (continued)**

**1.1.2 Clear Functions of the Board and Management (continued)**

The day-to-day management of Ecobuilt's business is delegated to the Chief Executive Officer. Amongst others, the responsibilities of the Chief Executive Officer shall include the following:-

- Developing the business direction and strategies of the Company;
- Ensuring that the Company business strategies and policies are effectively implemented;
- Providing the direction for the implementation of short and long term business plans;
- Providing strong leadership i.e. Effectively communicating a vision, management philosophy and business strategy to employees;
- Keeping the Board well informed of salient aspects and issues concerning the Company operations and ensuring that adequate management reports are submitted to Board members;
- Responsible for the effective management of the Company's day-to-day operations; and
- Ensuring that there are adequate systems and controls to safeguard the interests of the Company and all stakeholders.

The day-to-day management of Ecobuilt's business in relation to Contents and Value Added Services is under the supervision of the Chief Operating Officer.

The responsibilities and functions delegated to the Chief Operating Officer includes the following:-

- Supervising head of divisions and departments who are responsible for all functions contributing to the success of the Company;
- Ensuring efficiency and effectiveness of the operation for the Company; and
- Providing information on relevant industry matters and updates to the Chief Executive Officer and Board of Directors at Board meetings on quarterly basis.

The Board Committees are entrusted with specific responsibilities to oversee the Group's affairs with power to act on behalf of the Board in accordance with the respective Terms of Reference. Even though specific authorities are delegated to the Board Committees, the Board keeps itself abreast of the significant decisions made by each Board Committee through the reports or briefings by the Chairman of the respective Board Committees and the tabling of minutes of the Board Committee meetings at Board meetings on quarterly basis.

The respective Board Committee Terms of Reference is disclosed in the Board Charter.

**1.1.3 Strategies Promoting Sustainability**

The Board is aware of the importance of business sustainability and reviews operational practices that affect sustainability of environment, governance and social aspects of its business on a regular basis.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

**PART I – BOARD RESPONSIBILITIES (CONTINUED)**

**1. Board's Leadership on Objectives and Goals (continued)**

**1.2 Chairman of the Board**

The Chairman of the Board, Dato' Noordin Bin Sulaiman, an Independent Non-Executive Director is responsible for the leadership, effectiveness, conduct and governance of the Board. The Chairman acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates any discussion. Together with the other Executive Directors and Independent Directors, he leads the discussion on the strategies and policies recommended by the Management. He chairs the meetings of the Board and the shareholders.

**1.3 The positions of Chairman and Chief Executive Officer**

The Chairman of the Board is Dato' Noordin Bin Sulaiman and the Chief Executive Officer is Mr. Ong Chee Koen.

The roles of the Chairman and Chief Executive Officer are held by two different individual with a clear division of responsibilities between them to ensure balance of control, power and authority. The Board has delegated its responsibilities for the day-to-day management of the Group's operations and business as well as the implementation of the Board's policies and decisions to the Chief Executive Officer, Executive Director and senior management of the Company.

The Chairman is responsible in leading the Board in its collective oversight of Management and ensure effectiveness of the Board matters whilst the Chief Executive Officer is responsible to implement the policies and strategies approved by the Board for the purposes of running the business and the day-to-day management of the Company.

**1.4 Company Secretaries**

Directors have direct access to the advice and services of the Company Secretaries. The Company Secretaries are qualified to act in accordance with the requirements of the Companies Act, 2016. 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. The Board is supported to ensure adherence to board policies and procedures, rules, relevant laws and best practices on Corporate Governance. In addition, the Company Secretaries also ensure the meeting minutes are properly documented and maintain a secured retrieval system which stores the meeting papers and minutes of board and board committees.

The Company Secretaries also undertake the following functions, amongst others:-

(i) advise and remind the Directors of their obligations to disclose their interest in securities, any conflict of interest and related party transactions;
(ii) advise the Directors of their duties and responsibilities;
(iii) advise and remind the Directors on the prohibition on dealing in securities during closed period and the restriction on disclosure of price sensitive information;
(iv) prepare agenda items of meetings for Board and Board Committees and send to the respective Board and Board Committees; and
(v) attend all Board and Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are made and maintained accordingly.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

**PART I – BOARD RESPONSIBILITIES (CONTINUED)**

**1. Board's Leadership on Objectives and Goals (continued)**

**1.4 Company Secretaries (continued)**

During the FYE2019, the Company Secretaries have attended relevant development and trainings programmes to enhance their ability in discharging their duties and responsibilities.

**1.5 Access to information and advice**

All Directors, including 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. However, in the event of urgent and confidential matters, the relevant meeting materials will only be distributed during the Board meeting.

The Directors may obtain independent professional advice in furtherance of their duties, at the Company's expense, if necessary; with prior approval obtained from the Chairman. The requisition shall include an indication of fee that will be spent on the professional advice.

**2. Demarcation of Responsibilities**

**2.1 Board Charter**

The Board has adopted a Board Charter to promote the standards of corporate governance and clarifies, amongst others, the role and responsibilities of the Board.

The Board Charter is reviewed periodically as and when the need arises to ensure that the dynamic needs of the Group are consistently met. A copy of the Board Charter is available for reference at the Company's website at www.eco-built.com.my.

**3. Good Business Conduct and Corporate Culture**

**3.1 Code of Conduct and Ethics**

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has formalised the Code of Conducts and Ethics based on the following principles:

(i) Conflict of interest;
(ii) Corporate opportunities;
(iii) Protection of confidential information;
(iv) Protection and proper use of company assets;
(v) Compliance with laws, rules and regulations;
(vi) Trading on inside information;
(vii) Compliance with this Code and reporting of any illegal or unethical behaviour; and
(viii) Waivers and amendments.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of Ethics and Conduct are available for reference at the Company's website at www.eco-built.com.my.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

**PART I – BOARD RESPONSIBILITIES (CONTINUED)**

**3. Good Business Conduct and Corporate Culture (continued)**

**3.2 Whistle-Blowing Policy**

The Board recognised the importance of whistle-blowing and is committed to maintain the standards of ethical conduct within the Group. In line with this commitment, a duly reviewed and approved whistle-blowing policy has been implemented to provide an avenue for all employees to disclose any improper conduct within the Company. If an employee has a reasonable belief that an employee or the Company engaged in any action that violates any applicable law, or regulation, including those concerning accounting and auditing, or constitute a fraudulent practice, the employee is expected to immediately report such information to the Chairman. If the employee does not feel comfortable reporting information to the Chairman, he or she is expected to report the information to the other Independent Director.

Details of whistle-blowing channel are available on the Company's website at www.eco-built.com.my.

**PART II – BOARD COMPOSITION**

In order to achieve the intended outcome of the MCCG, the Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. Our Group has met most of the practices recommended by the MCCG as follows:

**4.1 Board Balance**

In FYE2019, the Board has six (6) members comprising two (2) Executive Directors (including the Chief Executive Officer) and four (4) Independent Non-Executive Directors.

The Board having reviewed its size and composition is satisfied that the current composition fairly reflects the investment of shareholders and is optimum and well balanced in view of the Group's business. The mix of skills and experience, including core competencies with diverse professional background ranging from business, marketing and technical knowledge; the Board is capable to discharge its responsibilities and manage the Company effectively. A brief description of the background of each Director is presented on pages 8 to 10 of this Annual Report.

The Directors play an active role in the Board's decision-making process, offering vast experience and knowledge as well as independence and objectivity, acting in the best interests of the Company.

**4.2 Re-election of Directors and re-appointment of Directors by rotation**

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

**4.3 Time Commitment and Directorship in Other Public Listed Companies**

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

**PART II – BOARD COMPOSITION (CONTINUED)**

**4.3 Time Commitment and Directorship in Other Public Listed Companies (continued)**

time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company.

Each Board member is required to achieve at least 50% attendance of total Board Meetings in any applicable financial year. Any director shall notify the Chairman and/or Company Secretaries, where applicable with appropriate leave of absence.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. The attendance record of the Directors are as set out in the section below.

During the financial year under review, five (5) Board Meetings were held and the attendance record of the Board members are reflected as follows:-

| Name of Directors | Total Meetings Attended | Percentage of Attendance |
|---|---|---|
| Dato' Lim Thean Keong (resigned on 25 July 2018) | 1/1 | 100% |
| Dato' Noordin Bin Sulaiman (appointed on 1 November 2018) | 2/2 | 100% |
| Ong Chee Koen | 5/5 | 100% |
| Ir. Yap Nam Fee | 4/5 | 80% |
| Thong Kooi Pin (retired on 15 November 2018) | 3/3 | 100% |
| Abdul Razak Bin Dato' Haji Ipap (retired on 15 November 2018) | 2/3 | 67% |
| Mohd Zaini Bin Noordin | 5/5 | 100% |
| Nirmala A/P Doraisamy | 5/5 | 100% |
| Wong Wen Miin (appointed on 1 November 2018) | 2/2 | 100% |

The Board meets on a quarterly basis, to amongst others; review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of written resolutions.

**4.4 Continuing Education Programs/Directors' Training**

The Board ensures compliance of Bursa Malaysia Mandatory Accreditation Program ("MAP") for newly appointed Directors and will also identify the training needs amongst the Directors and enrol the Directors for the relevant training programme.

Ir. Yap Nam Fee, Dato' Noordin Bin Sulaiman and Wong Wen Miin had attended MAP during the financial year.

All Directors are provided with the opportunity, and are encouraged to attend any relevant training programme, seminars and conferences to keep them updated on relevant new legislations, best practices, financial reporting requirements and/or other relevant courses to further enhance their skills and knowledge to enable them to discharge their responsibilities more effectively.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

**PART II – BOARD COMPOSITION (CONTINUED)**

**4.4 Continuing Education Programs/Directors' Training (continued)**

The Nomination Committee assessed the training requirement of the Directors annually and each of the Directors is advised to attend at least one (1) workshop or seminar during each financial year. All Directors have successfully attended the MAP prescribed by the Bursa Securities. The trainings/seminars attended by the Directors during the financial year are as listed below:

| No. | Seminars / Conferences / Training Programmes Attended | Attendee(s) | Date Attended |
|---|---|---|---|
| 1. | The Annual report of tomorrow guide to looking Information by Bursatra | Nirmala A/P Doraisamy | 29 June 2018 |
| 2. | MIA - Risk Management Conference 2018 | Nirmala A/P Doraisamy | 08 August 2018 |
| 3. | Internal audit for Board and Audit committee on 10/8:2018 organised by MIA | Nirmala A/P Doraisamy | 10 August 2018 |
| 4. | MIA International Accountants Conference 2018, KL | Nirmala A/P Doraisamy | 9 & 10 October 2018 |
| 5. | 2018 ACIIA Conference - Exclusive Audit Committee Package | Nirmala A/P Doraisamy | 29 October 2018 |
| 6. | PowerTalk & Directors Dialogue by ICDM, Effective Boards in a VUCA World by Murray Eldridge | Nirmala A/P Doraisamy | 31 October 2018 |
| 7. | The Mandatory Accreditation Programme (MAP) | Yap Nam Fee | 12 & 13 November 2018 |
| 8. | The Mandatory Accreditation Programme (MAP) | Wong Wen Miin | 14 & 15 January 2019 |
| 9. | The Mandatory Accreditation Programme (MAP) | Dato' Noordin Bin Sulaiman | 26 & 27 February 2019 |
| 10. | Audit Committee conference 2019, organised by IIA Malaysia and MIA | Nirmala A/P Doraisamy | 15 April 2019 |
| 11. | MFRS9 Financial Instrutment | Michael Ong Chee Koen | 14 February 2019 |
| 12. | MFRS9 Financial Instrutment | Wong Wen Miin | 14 February 2019 |
| 13. | MFRS9 Financial Instrutment | Nirmala A/P Doraisamy | 14 February 2019 |
| 14. | Advanced merger & Acquisition workshop organised by CIMA on 18th & 19th | Nirmala A/P Doraisamy | 18 & 19 April 2019 |
| 15. | Kursus integrity & kod etika kontaktor | Michael Ong Chee Koen | 14 March 2019 |

**4.5 Tenure of Independent Director**

The tenure of an Independent Director does not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth year, the Board shall seek annual shareholders' approval through a two-tier voting process.

The Company does not have terms limits for the Independent Directors as the Board believes that the Independent Directors' experience accumulated with the Company's business operation bring benefits to the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

**PART II – BOARD COMPOSITION (CONTINUED)**

**4.6 Policy of Independent Director's Tenure**

The Company does not have a policy which limits the tenure of its independent directors to nine (9) years.

The independent directors play a crucial supervisory function. Their presence is essential in providing unbiased views and impartiality to the Board's deliberation and decision-making process. In addition, the non-executive directors ensure that matters and issues brought to the Board are fully discussed and examined, taking into account the interest of all stakeholders in the Group.

In order to ensure the effectiveness of the Independent Directors, the Board developed the criteria to assess the independence and undertakes the assessment of its Independent Directors on annual basis.

The Board through the Nomination Committee undertakes assessment of the independence of its Independent Directors on an annual basis to examine the level of independence of the Independent Directors and to ensure the Independent Director can continue to bring independent and objective judgment to Board deliberations. The Nomination Committee had conducted assessment on the Independent Directors. The Nomination Committee is satisfied that the Independent Directors had been objective and independent in expressing their views and in participating in deliberations and decision making of the Board.

**4.7 Diverse Board and Senior Management Team**

The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at leadership and employee level.

Having a range of diversity dimensions brings different perspectives to the boardroom and to various levels of Management within the Group.

The Nomination Committee makes independent recommendations for appointment of members to the Board. In making these recommendations, the Nomination Committee assesses the suitability of candidates, taking into account the character, experience, integrity, competency, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval.

**4.8 Criteria for Recruitment**

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. As a whole, the Company maintains an adequate number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with the Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The Nomination Committee will help to assess and recommend to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

**PART II – BOARD COMPOSITION (CONTINUED)**

**4.8 Criteria for Recruitment (continued)**

In assessing suitability of candidates, consideration will be based on the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of professional knowledge, skills, experience and diversity (including gender diversity), understanding of the Business, the Markets and the Industry in which the Group operates and the accounting, finance and legal matters.

In general, the process for the appointment of director to the Board is as follows:

(i) The Nomination Committee reviews the Board's composition through Board assessment/evaluation;
(ii) The Nomination Committee determines skills matrix;
(iii) The Nomination Committee evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
(iv) The Nomination Committee recommends to the Board for appointment; and
(v) The Board approves the appointment of the candidates.

Factors considered by the Nomination Committee when recommending a person for appointment as a director includes:

(i) the merits and time commitment required for a Executive Director to effectively discharge his or her duties to the Company;
(ii) the outside commitments of a candidate to be appointed or elected as a Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and
(iii) the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

**4.9 Gender Diversity**

The Board is supportive of gender diversity recommendation made in the Code and the Board currently has two (2) female Directors out of six (6) Directors which is in line with the Company's gender diversity target.

The Board having reviewed its gender mix with diverse professional background ranging from financial, technical and business experience, is satisfied with the current composition of the Board.

The Board would adopt a formal written policy on gender diversity in FYE2020.

**4.10 New Candidates for Board Appointment**

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The Nomination Committee will help assess and recommend to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board. In assessing suitability of candidates, consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experiences and diversity (including gender diversity) represented in addition to an understanding of the Business, the Markets and the Industry in which the Group operates and the accounting, finance and legal matters.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

**PART II – BOARD COMPOSITION (CONTINUED)**

**4.11 Nomination Committee**

The Nomination Committee was established on 23 November 2007. The primary function of the Nomination Committee is to recommend to the Board, candidates for all directorships to be filled by the shareholders of the Board after taking into consideration the following criteria:

- Skills, knowledge, expertise and experience;
- Professionalism;
- Integrity; and
- In the case of candidates for the position of independent Non-Executive Directors, the Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

Besides, the functions of Nomination Committee included the following:-

(a) Consider, in making its recommendations, candidates for directorships;
(b) Assess and recommend to the Board, Directors to fill the seats on Board Committees;
(c) Undertake an annual review of the required mix of skills, experience and diversity (including gender diversity) and other qualities of Directors, including core competencies which Non-Executive Directors should bring to the Board and to disclose this forthwith in every Annual Report;
(d) Assist the Board to introduce a criteria and to formulate and implement a procedure to be carried out by the Nomination Committee annually for assessing the effectiveness of the Board as a whole, the Board Committees and for assessing the contributions of each individual Director;
(e) To ensure that the Directors to retire by rotation to be in accordance with the Articles of Association of the Company;
(f) To ensure that the process carried out in the evaluation and assessment be properly documented;
(g) To conduct assessment of the Independent Directors who have served the Board for a period of nine (9) years and above and to recommend to the Board whether the Independent Director should remain independent or be re-designated;
(h) To review the induction and training needs of Directors; and
(i) To report to the Board on Board and key management succession planning.

The present members of the Nomination Committee are as follows:

Chairman : Nirmala A/P Doraisamy (Chairman, Independent Non-Executive Director)
Member : Mohd Zaini Bin Noordin (Independent Non-Executive Director)
Member : Dato' Noordin Bin Sulaiman (Independent Non-Executive Director)

There had been three (3) Nomination Committee meetings held during the FYE2019. The details of the members' attendance at the meeting are set out as follows:-

| Name of Directors | Total Meetings Attended | Percentage of Attendance |
|---|---|---|
| Nirmala A/P Doraisamy (appointed as Chairman on 1 November 2018) | Nil | Nil |
| Thong Kooi Pin (retired on 15 November 2018) | 3/3 | 100% |
| Abdul Razak Bin Dato' Haji Ipap (retired on 15 November 2018) | 3/3 | 100% |
| Mohd Zaini Bin Noordin | 3/3 | 100% |
| Dato' Noordin Bin Sulaiman (appointed as member on 1 November 2018) | Nil | Nil |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**RINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

**PART II – BOARD COMPOSITION (CONTINUED)**

**4.11 Nomination Committee (continued)**

The terms of reference of the Nomination Committee is available at the Company's website at www.eco-built.com.my.

The summary of activities undertaken by the Nomination Committee during the FYE2019 included the following:

i) Assessed and discussed the appointment of new Directors and the composition of the Board and Board Committees;
ii) Assessed the effectiveness and required mix of skills and experience of the Board as a whole;
iii) Assess the independence of Independence Directors;
iv) Reviewed and recommend to the Board on the re-election of Directors;
v) Reviewed and assessed the independence of Mohd Zaini Bin Noordin, the Independent Director, who had served the Board for a cumulative term of more than nine (9) years; and
vi) Reviewed the training needs for Directors.

**5. Overall Effectiveness of the Board and Individual Directors**

**5.1 Annual evaluation**

The Nomination Committee has established performance criteria and assesses the effectiveness of the Board as a whole, Board Committees and contributions of each individual Director on an 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. The Company adopted the following customised evaluation form for assessment:

- Individual Director Self Evaluation Sheet
- Independent Directors' Self-Assessment Checklist
- Board and Board Committee Evaluation Self-Assessment
- Audit Committee Member's Self and Peer Evaluation

The above review and assessments had been conducted by the Nomination Committee and tabled to the Board for discussion on 29 July 2019. The Nomination Committee, through the assessment conducted, is satisfied that each of the Director has the character, experience, integrity, competence and time to effectively discharge their duties.

The Nomination Committee also had on 29 July 2019, assessed the training needs of the Directors to ensure that the Directors keep abreast of regulatory charges, other developments and broad business trend.

**PART III – REMUNERATION**

The Board acknowledges the level and composition of remuneration of directors and senior management take into account the Company's desire to attract and retain the right talent in the Board and senior management to drive the Company's long-term objectives. In order to achieve the aim, the Board has established Remuneration Committee and developed the remuneration policy to assist the Board in discharging its duties and responsibilities in the matters relating to the remuneration of the Board and senior management.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**RINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

**PART III – REMUNERATION (CONTINUED)**

**6.1 Remuneration Policy**

The Board believes that Ecobuilt should have a fair remuneration policy to attract, retain and motivate directors. It has established a Remuneration Committee to review and ensure that the remuneration fairly reflect the Board's responsibilities, the expertise and the complexity of its operations. The said remuneration should also be in line with the business strategy and long-term objectives of Ecobuilt.

The Board would adopt Directors' Remuneration Policies and Procedures and Remuneration Policy for Employees in FYE2020.

**6.2 Remuneration Committee**

In line with the best practices of the Code, the Remuneration Committee was established on 23 November 2007 and is 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 and retain the Directors needed to the Company successfully. The Remuneration Committee reports to the Board. The present members of the Remuneration Committee are as follows:-

Chairman : Mohd Zaini Bin Noordin (Chairman, Independent Non-Executive Director)
Member : Dato' Noordin Bin Sulaiman (Independent Non-Executive Director)

The Remuneration Committee had convened two (2) meetings during the FYE2019. The details of the members' attendance at the meeting are set out as follows:

| Name of Directors | Total Meetings Attended | Percentage of Attendance |
|---|---|---|
| Mohd Zaini Bin Noordin (appointed as Chairman on 1 November 2018) | 1/1 | 100% |
| Thong Kooi Pin (retired on 15 November 2018) | 1/1 | 100% |
| Abdul Razak Bin Dato' Haji Ipap (retired on 15 November 2018) | 1/1 | 100% |
| Dato' Noordin Bin Sulaiman (appointed as member on 1 November 2018) | 1/1 | 100% |

The Remuneration Committee's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The Remuneration Committee also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.

The determination of the remuneration packages for Non-Executive Directors is a matter of the Board as a whole. The individuals concerned should abstain from discussing their own remuneration. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**RINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

**PART III – REMUNERATION (CONTINUED)**

**7 Remuneration of Directors**

**7.1 Directors' Remuneration**

The aggregate Directors' remuneration paid or payable to all Directors of the Company categorised into appropriate components for the FYE2019 are as follows:

| Director | Group | | Company | |
|---|---|---|---|---|
| | Fees RM | Salaries and other emoluments RM | Fees RM | Salaries and other emoluments RM |
| Dato' Noordin Bin Sulaiman | 21,000 | – | 21,000 | – |
| Ong Chee Koen | – | 188,320 | – | – |
| Ir. Yap Nam Fee | – | 128,800 | – | – |
| Thong Kooi Pin (retired on 15 November 2018) | 15,000 | – | 15,000 | – |
| Abdul Razak Bin Dato' Haji Ipap (retired on 15 November 2018) | 15,000 | – | 15,000 | – |
| Mohd Zaini Bin Noordin | 36,000 | – | 36,000 | – |
| Nirmala A/P Doraisamy | 36,000 | – | 36,000 | – |
| Wong Wen Miin | 21,000 | – | 21,000 | – |
| Dato' Lim Thean Keong (Resigned on 25 July 2018) | – | 1,743,211 | – | – |

The fees and allowances for Non-Executive Directors are determined by the Board and are subject to the approval of the shareholders of Ecobuilt.

**7.2 Remuneration of the Senior Management**

The total remuneration received by senior management of the Group including salary, bonus, benefits-in-kind and other emoluments in bands with RM250,000 for the financial year ended 31 May 2019 are as follows:

| Range of Remuneration | Number of Senior Management |
|---|---|
| Below RM250,000 | – |
| RM250,000 to RM500,000 | – |
| RM500,001 to RM750,000 | – |
| RM750,001 to RM1,000,000 | 1 |

Details of total remuneration received by the senior management on named basis are not disclosed in this report as the Board is of the view that the above remuneration disclose by band satisfied the accountability and transparency aspects of the MCCG.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT**

**PART I – AUDIT COMMITTEE**

**8.1 Composition of Audit Committee**

The Company has established the Audit Committee comprising exclusively of Non-Executive Directors. The Audit Committee is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situations. The Audit Committee also undertakes to provide oversight on the risk management framework of the Group.

The present members of the Audit Committee are as follows:

Chairman : Wong Wen Miin (Chairman, Independent Non-Executive Director)
Member : Nirmala A/P Doraisamy (Independent Non-Executive Director)
Member : Mohd Zaini Bin Noordin (Independent Non-Executive Director)

The Audit Committee is chaired by an Independent Director who is distinct from the Chairman of the Board. One of the Audit Committee members is a member of the Malaysian Institute of Accountants. The Audit Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Audit Committee. The role of the Audit Committee and the number of meetings held during the financial year as well as the attendance record of each member are set out in the Audit Committee Report of the Annual Report.

**8.2 Assessment of Suitability and Independence of External Auditors**

The Board has established an appropriate and transparent relationship with the External Auditors through the Audit Committee. The Audit Committee has been accorded the authority to communicate directly with the External Auditors. The External Auditors in turn are able to highlight matters related to compliance with the accounting standard and other related regulatory requirements which require the Board's attention effectively.

The Audit Committee assisted by the management, undertakes annual assessment of the suitability and independence of the External Auditors. The assessment of the External Auditor was conducted by completing personalised evaluation form. The factors considered by the Audit Committee in its assessment include, adequacy of professionalism and experience of the staff, the resources of the external auditors, the fees and the independence of the level of non-audit services rendered to the Group. The Audit Committee has assessed and is satisfied with the suitability and the confirmation provided by the External Auditors that they have complied with the ethical requirements regarding independence with respect to the audit of the Group in accordance with all relevant professional and regulatory requirements.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the Annual General Meeting on the recommendation of the Board. The External Auditors are invited to attend the Annual General Meeting of the Company to respond and reply to the Shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statements.

Every year, the Audit Committee will meet with the External Auditors without the presence of the Executive Directors and members of management to ensure that the independence and objectivity of the External Auditors are not compromised.

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the FYE2019.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)**

**PART I – AUDIT COMMITTEE (CONTINUED)**

**8.2 Assessment of Suitability and Independence of External Auditors (continued)**

The amounts of audit and non-audit fees paid to the External Auditors or a firm affiliated to the External Auditors by the Company and the Group for the financial year ended 31 May 2019 are as follows:

| | Group RM | Company RM |
|---|---|---|
| Audit fees | 105,500 | 20,000 |
| Non-Audit fees | 9,000 | 3,000 |

**8.3 Cooling-off Period for Appointment Former Key Audit Partner**

The policy on observation of a cooling-off period of at least two years for a former key audit partner prior to the appointment as a member of the Audit Committee, had been incorporated in the Terms of Reference of the Audit Committee.

**8.4 Qualifications and Skills of Audit Committee**

The composition of the Audit Committee meets the requirements of Paragraph 15.09(1)(a), (b) and (c) of the Listing Requirements. All members of the Audit Committee are believed to be able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as member of the Audit Committee.

The Nominating Committee is satisfied that the Audit Committee and its members have discharged their functions, duties and responsibilities in accordance with the Audit Committee's Terms of Reference and supported the Board in ensuring the Group upholds appropriate corporate governance standards.

All members of the Audit Committee are mindful that they should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

The composition of the Audit Committee, its terms of reference, attendance of meetings by the individual members and the summary of activities are set out in the Audit Committee Report on pages 12 to 14 of the Annual Report.

**PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK**

**9.1 Effective Risk Management and Internal Control Framework**

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to assess current and emerging risks and to respond to risks affecting the Group.

As an effort to enhance the system of internal control, the Board adopted an on-going monitoring and review of the existing risk management process in the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)**

**PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)**

**9.1 Effective Risk Management and Internal Control Framework (continued)**

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

**9.2 Adequacy and Effectiveness of the Risk Management and Internal Control**

The internal audit function of the Company is effective and remains independent all the time. The internal audit function is set out in the Statement on Risk Management and Internal Control and Audit Committee Report.

Internal Auditors reports functionally to the Audit Committee and has unrestricted access to the Audit Committee. Its function is independent of the activities or operations of other operating units. Internal Auditors periodically evaluates the effectiveness of the risk management process, reviews the operating effectiveness of the internal controls system and compliance control within the Group. The minutes of the Audit Committee meetings are tabled to the Board for information and serves as a reference.

The information on the Group's internal control is further elaborated in page 36 on the Statement on Risk Management and Internal Control of this Annual Report.

**9.3 Internal Audit Function**

The Company has outsourced its internal audit function to an independent internal audit services provider for the financial year, which reports directly to the Audit Committee on the results of audit reviews. Internal Auditors conducts regular review and appraisals of the effectiveness of the governance, risk management and internal control processes within the Company.

**PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

**PART 1 – COMMUNICATION WITH STAKEHOLDERS**

There is continuous communication between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Stakeholders are able to make informed decisions with respect to the business of the Company, its policies on governance, the environment and social responsibility.

**10.1 Continuous Communication between Company and Stakeholders**

The Board recognises that shareholder and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, the Company website is the primary medium in providing information to all shareholders and stakeholders.

Presently, the Board and management of the Company communicate regularly with its shareholders and other stakeholders through the following channels of communication:

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

**PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)**

**PART 1 – COMMUNICATION WITH STAKEHOLDERS (CONTINUED)**

**10.1 Continuous Communication between Company and Stakeholders (continued)**

(i) Bursa Securities

The Company releases all material information publicly through Bursa Securities and the shareholders and the public in general may obtain such announcements and financial information from the website of Bursa Securities.

(ii) Company website

The Company's website, www.eco-built.com.my, incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by for both shareholders and the public. This Investor Relations section enhances the Investor Relations function by including all announcements made by the Company.

**10.2 Integrated Report**

The Board is mindful on the benefit of integrated reporting. Nevertheless, due to the limited resources, the Board has not prepared the Integrated Report.

**10.3 Corporate Disclosure Policies**

The Board does not have a Corporate Disclosure Policy. However, the Company ensures disclosure are compliance with the disclosure requirements as set out in Listing Requirements of Bursa Securities.

**PART II – CONDUCT OF GENERAL MEETINGS**

General meetings are the important and effective platforms for directors and senior management to communicate with the shareholders. Shareholders are able to participate, engage the Board and senior management effectively and make informed voting decisions at general meetings.

**11.1 Encourage Shareholder Participation at General Meetings**

Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report at least twenty eight (28) days before the meeting in order for them to have sufficient time to read and understand about the Company financial and non-financial performance before the actual event takes place.

**11.2 Poll Voting**

At the Fourteenth (14th) Annual General Meeting ("AGM") held on 15 November 2018, all resolutions put forth for shareholders' approval at the 14th AGM were voted by poll and an independent scrutineer was appointed to the validate the votes cast at the 14th AGM.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

## PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

### PART II – CONDUCT OF GENERAL MEETINGS (CONTINUED)

**11.2 Poll Voting (continued)**

Pursuant to the Listing Requirements of Bursa Securities, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. Hence, voting for all resolutions as set out in the Notice of the Fifteenth AGM and future general meetings will be conducted by poll. An independent scrutineer will be appointed to validate the votes cast at the general meetings.

**11.3 Attendance of the Chair of the Board Committees at the AGM**

The Board took note that the presence of all directors will provide opportunity for shareholders to effectively engage each director. Besides, having the chair of the Board subcommittees present facilitates these conversations and allows shareholders to raise questions and concerns directly to those responsible. Accordingly, barring unforeseen circumstances, all directors as well as the Chairman of respective Board Committees (i.e. Audit Committee, Nominating Committee and Remuneration Committee) will present at the forthcoming AGM of the Company to enable the shareholders to raise questions and concerns directly to those responsible.

**11.4 Encourage Shareholder Participation at General Meeting**

The Company allows a member to appoint a proxy who may not be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia. Ecobuilt has not set the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for Omnibus account to allow greater participation of beneficial owners of shares at general meetings of the Company. The Articles of Association of the Company further accord proxies the same rights as members to speak at the general meeting. Essentially, a corporate representative, proxy or attorney is entitled to attend, speak and vote both on a show of hands and on a poll as if they were a member of the Company.

Despite the recommendation of Practice 12.3 of MCCG that the Company with large number of shareholders should have meetings in remote locations and in leverage technology to facilitate voting including voting in absentia and remote shareholders' participation at the general meeting, the Board assessed and of the opinion that meetings in remote locations is not necessary and costly to the Company in view of the current numbers of shareholders of the Company.

In line with the Practice 12.3 of the MCCG in promoting electronic voting, as at the date of this Statement, the Board assessed and of the opinion that the electronic voting is not necessary and costly to the Board of the current number of shareholders of the Company and will consider adopting such recommendation when necessary.

This Corporate Governance Overview Statement was approved by the Board on 18 September 2019.

# ADDITIONAL COMPLIANCE INFORMATION

**1. Variation in Results**

There were no deviation of 10% or more between the profit after taxation stated in the unaudited fourth quarter ended 31 May 2019 announced on 31 July 2019 and the audited financial statements of the Group for the financial year ended 31 May 2019.

**2. Profit Forecast / Profit Guarantee**

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

**3. 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 May 2019.

**4. Recurrent Related Party Transaction Statement**

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

**5. Utilisation of Proceeds**

The Company had at the Extraordinary General Meeting held on 16 August 2019 obtained the shareholders' approval for the following exercises:-

I. Proposed Acquisition by the Company ("Ecobuilt") of 750,000 Ordinary Shares of Rexallent Construction Sdn Bhd ("RCSB"), representing the Entire Equity Interest In RCSB, for a Purchase Consideration of RM45,000,000 to be satisfied via a combination of Cash Payment of RM20,000,000 and the remaining Purchase Consideration of RM25,000,000 to be satisfied via an Issuance and Allotment of 102,040,816 New Ordinary Shares of Ecobuilt ("Ecobuilt Share(s)") at the Issue Price of RM0.245 per Ecobuilt Share ("Acquisition"); and

II. Proposed Private Placement of 48,812,850 New Ecobuilt Shares, representing 30.0% of total Issued Ecobuilt Shares ("Placement Share(s)") at the Subscription Price of RM0.245 per Placement Share ("Private Placement").

The proceeds raised from the Private Placement which was completed on 29 August 2019, have been utilised as follows:-

| | Proposed Utilisation (RM) | Actual Utilised (RM) | Estimated Expenses (RM) |
|---|---|---|---|
| Cash Consideration for the Acquisition | 11,000,000 | 11,000,000 | – |
| Estimated expenses for the Acquisition and Private Placement | 959,148 | – | 959,148 |
| **Total** | **11,959,148** | **11,000,000** | **959,148** |

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of Directors ("the Board") of Ecobuilt Holdings Berhad (formerly known as M-Mode Berhad) ("Ecobuilt") is pleased to provide the following statement on the statement of risk management and internal control of the Group for the financial year ended 31 May 2019, which has been prepared, taken into consideration the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, issued by Task Force on Internal Control with the support and endorsement of Bursa Securities.

## BOARD RESPONSIBILITY

The Board undertakes responsibilities for maintaining a sound system of internal control that supports the achievement of the corporate policies, aims and objectives of Ecobuilt Group of Companies by continuous improvement on internal control and risk management.

The system of risk management and internal control is designed to safeguard shareholders' investment and the Group's assets, and for reviewing its adequacy and integrity. In view of the limitations underlying any system of the internal controls which covers financial, operational, compliance controls and risk management procedures, the system is designated to provide reasonable but not absolute assurance of its effectiveness and is designated to manage rather than eliminate the risk of failure to achieve the corporate policies, aims and objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

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. The processes which have been instituted throughout the Group, except for associated companies and joint ventures which are not under the control of the Group. These controls are regularly reviewed by the Board and subject to continuous improvement. The Board, through its Audit Committee, regularly reviews the results of this process which has been in place for the year under review and up to the date of issuance of the Annual Report and financial statements.

The Board is of the view that the risk management and internal control system is in place for the year under review and up to the date of issuance of the annual report is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators, employees and the Group's assets.

## RISK MANAGEMENT SYSTEM

Towards formalising the risk management functions within the Group, the Board has engaged an independent professional firm with suitable experience and capabilities to handle the internal audit functions, and to assist the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's risk management and internal control system.

Key management staff and Heads of Department are responsible for assisting the Board to implement policies and procedures on risk management and internal control system. Significant risk affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings.

During the financial year, the Group had identified major risk areas of concern and mitigating actions were taken. The major risks are outlined below:

**(1) Competition and business diversification risks**

The Group faces direct competition from both new entrants and existing companies involved in the construction industry. The Group is also disadvantaged as a new entrant in the construction industry due to lack of relevant track record and brand name compared to the existing construction companies which may enjoy established brand names and entrenched reputation in the industry. Therefore, the Group seeks to be competitive in the construction industry by being cost efficient through effective project management and cost control policies, providing quality products and competitive pricing as well as actively seeking new opportunities in the construction industry.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

**RISK MANAGEMENT SYSTEM (CONTINUED)**

**(2) Dependency on key personnel**

The Group involvement in the construction industry will depend on the abilities, skills, experience and competency of Mr. Ong Chee Koen, Ir. Yap Nam Fee and other key management personnel. The loss of any of these other key management personnel without suitable and timely replacement may adversely affect the Group's construction business. The Group is aware of such a risk and will strive to retain its key personnel by way of attractive remuneration and project-based incentives.

**(3) Economic, political and regulatory risks**

Any adverse developments in political, economic, market, interest rate, taxation, regulatory and social conditions may materially affect the Group's involvement in the construction industry. These include changes which are beyond the Group's control. The Group intends to mitigate such risks by continuously reviewing our business development strategies to respond to changes in such factors and conditions.

**INTERNAL CONTROL SYSTEM**

(1) Well-defined organisational structure with clear lines of accountability and responsibilities provide a sound framework within the organisation in facilitating check and balance for proper decision making at the appropriate authority levels of management including matters that require the Board's approval.
(2) The Board of Directors and Audit Committee meet at least once on a quarterly basis to review and deliberate on financial reports, annual financial statements and internal audit reports. Discussions with management were held to deliberate on the actions that are required to be taken to address internal control issues identified. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.
(3) Internal policies and procedures had been established for key business units within the Group.
(4) Proper delegation of authorities that sets out decision that needs to be taken and the appropriate levels of management involved including matters that require the Board's approval.
(5) Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group.
(6) Management accounts containing key financial results, operational performances and comparison of actual performance against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Audit Committee and Board for their review and approval.

**INTERNAL AUDIT FUNCTION**

The Board is of the view that by outsourcing the internal audit function, it provides the Group a professional, independent and more objective review on the overall adequacy of the Group's internal control system and environment.

The Internal Auditor reports to the Audit Committee and is guided by an approved Internal Audit Charter. The internal audit is guided by the International Professional Practices Framework issued by the Institute of Internal Auditors which contains the international standards for internal auditing. The Internal Auditor, performed review on key processes within the Group according to the Internal Audit Plan which have been approved by the Audit Committee and assessed the effectiveness of the internal control system, based on their procedures. Internal Auditors will also ensure compliance to the relevant accounting policies and financial reporting standards relating to their auditable areas. The internal audit report which highlights material non-compliance or weaknesses, risks and implications, and management responses will be presented at the Audit Committee Meetings. The Management is responsible for ensuring that corrective actions are taken within the stipulated time frame. Subsequent review on the implementation of corrective actions taken for previous audit findings will also be performed by the Internal Audit Function and reported to the Audit Committee.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

## INTERNAL AUDIT FUNCTION (CONTINUED)

The Internal Auditor performed independent assessment of the risks identified, evaluated and managed by risk owners. Such assessment provides guidance in determining the risk-based audit plan and scope of work as well as preparation of audit programme for a more effective audit to be conducted.

The Internal Audit plan which is prepared based on areas of higher risk exposure has been approved by the Audit Committee. During the financial year ended 31 May 2019, the business processes / audit areas covered construction and contract management, including tendering as follows:

(1) To ensure there is a proper internal control system in place for:
- Preparation of cost estimates / project budget;
- Pre-qualification of subcontractors;
- Tendering process;
- Evaluation of tenders and subcontractors;
- Awarding of contracts.

(2) Review of policies and procedures
(3) Review of Letter of Award/Contracts

The fees incurred for the internal audit function and risk management function for the financial year ended 31 May 2019 was RM13,000.

Based on the report of the appointed Internal Auditor, the Board is satisfied 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 May 2019.

## OTHER RISK AND CONTROL PROCESSES

The Group has set in place standard operating procedures internally covering major and critical facets of the Group's business process. Procedures are primarily geared towards the prevention of wastages, handling loss and major functional aspects of business operations. The procedures are subject to review as processes change or when new business requirements need to be met.

## REVIEW BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of Main Market Listing Requirements of Bursa Securities, the External Auditors, Messrs. MORISON ANUARUL AZIZAN CHEW, has reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Group for the financial year ended 31 May 2019 in accordance with Malaysian Approved Standards on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Recommended Practice Guide 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report and reported to the Board that based on their review, nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

**CONCLUSION**

The Directors believes that the system of the internal control is considered appropriate to the business operations and that the risk taken is at an acceptable level within the context of the business environment of the Group. It should be noted that such arrangements do not eliminate the possibility of collusion or deliberate circumvention of procedures by employees. Human error and/or other unforeseen circumstances can result in poor judgement. In the year under review, it has not resulted in any material losses, contingencies or uncertainties which would require separate disclosure in this Annual Report.

The Board has obtained assurance from the Chief Executive Officer on whether the Group's risk management and internal control systems is operating adequately and effectively, in all material aspects, for the financial year ended 31 May 2019.

The statement was approved by the Board on 18 September 2019.

# CORPORATE SUSTAINABILITY STATEMENT

## Introduction

Ecobuilt Holdings Berhad (formerly known as M-Mode Berhad) ("Ecobuilt") and its subsidiaries ("the Group") recognises the importance of carrying and expanding the Group's business operations in a sustainable and responsible manner. The Board is committed to continuously promote good sustainability practices and engage openly with the Group's various stakeholders through transparent sustainability reporting.

The Board is pleased to present the Sustainability Statement for the financial year ended 31 May 2019. Through this Sustainability Statement, we provide our stakeholders a better understanding of our strategic approach to create sustainable long-term value for the Group as well as various stakeholders.

In line with Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Sustainability Reporting Guide, our Group's sustainability practices are to ensure economic, environmental and social considerations are embedded into our governance framework and business operations.

## Scope of this Statement

This Sustainability Statement covers the activities of Ecobuilt and all its subsidiaries involved in the business of civil engineering, building contracting and construction, digital contents and property development. Subsidiaries refers to all companies in which Ecobuilt holds a majority stake or has direct management control.

## Basis of this Statement

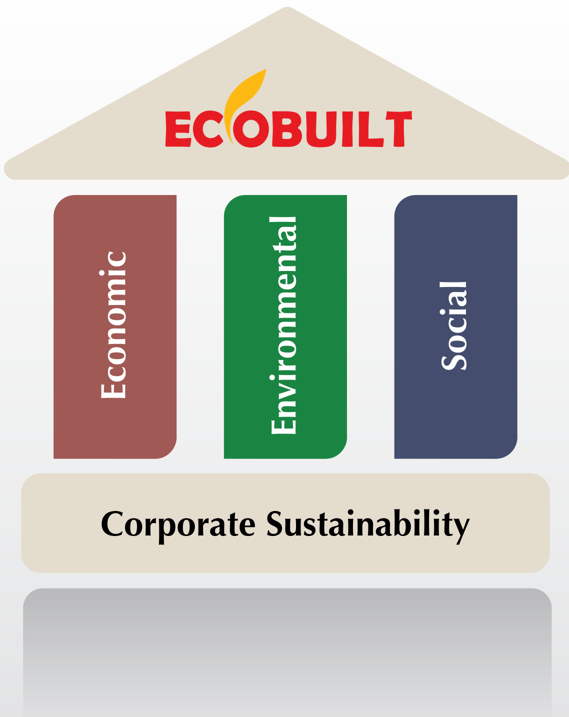
This Sustainability Statement was prepared based on the available internal information and in a manner as prescribed by Bursa Malaysia, in accordance with the Main Market Listing Requirements and Sustainability Reporting Guide and Toolkits issued by Bursa Malaysia.

## Assessment of Material Matters

We have conducted an assessment to identify a list of Material Matters relevant to our Group. Please refer to our Material Matters Matrix.

## Feedback

In our continuous efforts to raise our performance in sustainability standards, we welcome stakeholders' feedback on what we have done, as stipulated in this Statement, and any other issues that we should undertake. Comments and queries related to this Statement can be directed to inquiry@eco-built.com.my.



# CORPORATE SUSTAINABILITY STATEMENT (CONTINUED)

## ABOUT ECOBUILT HOLDINGS BERHAD

Ecobuilt was established since year 2004 and listed on the Main Market of Bursa Malaysia currently. Ecobuilt and its subsidiaries are principally involved in the civil and structural engineering, construction, property development and distribution of mobile value-added contents and related services which include digital applications, mobile games, video contents and mobile payment platforms.

Construction & Property Development

Video Contents Distribution

ECOBUILT

Civil & Structural Engineering

Mobile Web Games Distribution

## OUR MISSION

To provide world class property developments and services to help create a better community for the future generations.

## OUR VALUES

We always believe in the following five brand values which allows us continue to build the right thing together globally:-

- Hard work
- Responsibility
- Morality
- Integrity
- Vitality

We shall adhere to the above values as an essential part of what it means to be Ecobuilt as we move towards the future.

# CORPORATE SUSTAINABILITY STATEMENT (CONTINUED)

## SUSTAINABILITY MANAGEMENT

### Our Sustainability Principles

As a responsible business, Ecobuilt is aware of the impacts that we caused to the environment and society in our daily business operations, hence we are committed to manage these impacts and execute our business operations as a responsible corporate citizen working towards a better world. To achieve this, we have to uphold high standards of governance across our entire business operations to promote responsible business practices, manage environmental impacts and meet the social needs of our community.

Within Ecobuilt, we strive to uphold the following sustainability principles: -

**Economic**

To undertake business activities that create economic values in the most equitable way and fiscally possible without sacrificing other aspects of sustainability.

**Environment**

To minimise damaging effects to the environment as much as possible in our daily business operations.

**Social**

To create a well-balanced and conducive work place environment emphasising health, safety and well-being of employees.

### Our Sustainability Approach

Our approach in achieving sustainable business operations is focusing on four major components, namely financial capital, technological advancement, skilled talents and strong relationship with various stakeholders as depicted below: -

**Financial Capital**

Financial capital generated via internal operations and external financing from financial institutions and/ or shareholders

**Technological Advancement**

Investment in technological infrastructures to aid the development of innovative products and services

**Skilled Talent**

Hired skilled talent from various background and experiences

**Stakeholders Relationship**

Established strong relationship with various stakeholders i.e. employees, customers, suppliers, business partners and regulators

# CORPORATE SUSTAINABILITY STATEMENT (CONTINUED)

## SUSTAINABILITY GOVERNANCE STRUCTURE

**Board of Directors**
Ultimate accountability for Ecobuilts's sustainability initiatives and strategies

**Audit Committee**
Monitor system of internal controls and oversees risk management activities

**Nomination Committee**
Assess and oversees on matters relevant to appointment of suitable new candidates to fill up seats for the Board and Senior Management

**Remuneration Committee**
Involve in developing and establishing remuneration policy and fixing remuneration packages for individual directors

Ecobuilt's Board plays a pivotal role in advocating sustainability initiatives and pushing for relevant strategies across the Group with the assistance from Senior Management to oversee the implementation of the Group's sustainability strategies and ensure relevant key targets are being met.

Our Board recognises that risk management and internal control systems are integral to our corporate governance and vital to our business sustainability. Hence, the Board has delegated the responsibility to review the adequacy and effectiveness of the Group's risk management framework and system of internal controls to the Audit Committee. Meanwhile, the Group's overall performance is also tracked with the assistance from Nomination Committee and Remuneration Committee.

The Board and the Group is aware that good governance lies in sound business ethics, viable policies and procedures across all areas of the Group. Our Group are guided by the following key Code of Ethics as well as a Whistle Blowing Policy for reporting of any irregularities or misconduct.

### Key Code of Ethics

The Key Code of Ethics to be observed and adhered by all employees, officers and directors of our Group is as follows: -

- Avoid and/or manage conflict of interest situation;
- Owe duty of care to the Group and advance legitimate interest when opportunity to do so arises;
- Protection of confidential information;
- Compliance with laws, rules and regulations;
- No trading with insider information;
- Reporting of any illegal or unethical behaviours; and
- Ensure proper use of company assets.

A copy of our code of ethics can be downloaded from our website at www.eco-built.com.my/corporate-info/

### Whistle Blowing Policy

The Group is committed to operate in compliance with all applicable laws, rules and regulations, including those concerning accounting and auditing, and prohibits fraudulent practices by any of its Board members, officers and/or employees in order to achieve and maintain the highest standard of work ethics in the conduct of business in line with the Code of Ethics and good corporate governance practices.

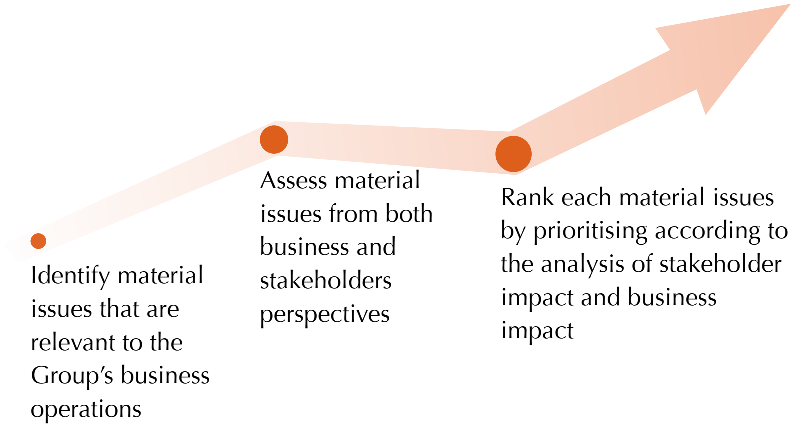
Employees are encouraged to report to the Executive Chairman or Non-Independent Non-Executive Director immediately if he/she has reasonably belief that another employee or Ecobuilt has engaged in any action that violates any applicable law or regulation.

A copy of the whistle blowing policy can be downloaded from our website at www.eco-built.com.my/corporate-info/

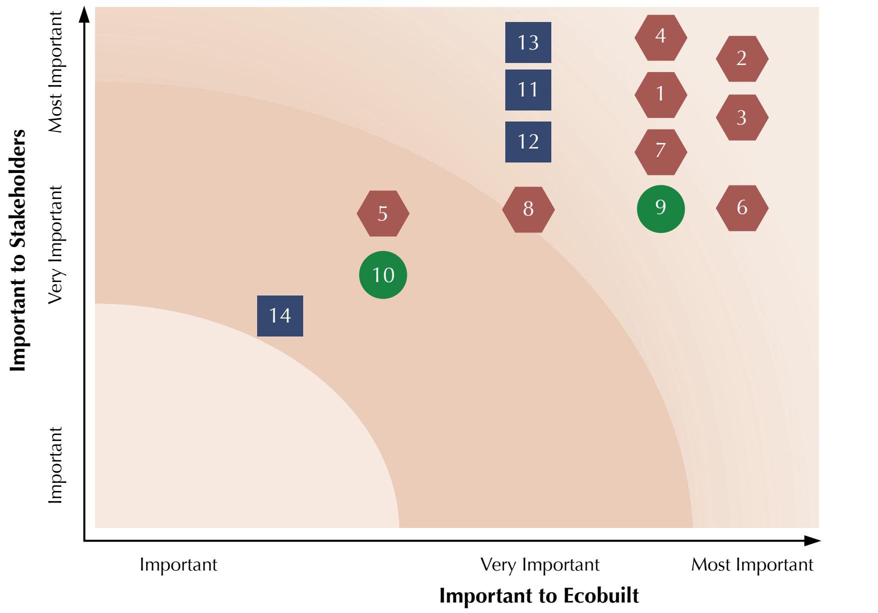
# CORPORATE SUSTAINABILITY STATEMENT (CONTINUED)

## ASSESSMENT OF MATERIAL MATTERS

Materiality assessment is critical for our Group to identify and prioritise any material sustainability matters which are significant to our business operations and interest of our stakeholders. During the process of materiality assessment, we identify and rank the Economic, Environmental and Social materiality matters based on their relevance to our business operations and influence on our various stakeholders.




Based on our assessment, we have identified and ranked 14 key areas which matter the most to our Group as well as our stakeholders. The outcome of our Material Matters Matrix is as follows:




**Economic**

1. Market Presence
2. Profitability
3. Products and Services Quality
4. Customer Satisfaction
5. Supply Chain Management
6. Risk Management and Corporate Governance
7. Digital Data Protection – Customers' Privacy
8. Innovation and Digital Transformation

**Environmental**

9. Environmental Compliance
10. Energy Management

**Social**

11. Employee Diversity and Equal Opportunity
12. Employee Training and Development
13. Occupational Health and Safety
14. Community Engagement and Development

# CORPORATE SUSTAINABILITY STATEMENT (CONTINUED)

## STAKEHOLDERS ENGAGEMENT

| Stakeholders | Stakeholders Concerns/Material Matters | Forms of Engagement |
|---|---|---|
| Regulators/ Law Enforcers | • Adherence to laws and regulations<br>• Permits and licenses<br>• Corporate governance and compliances<br>• Health and safety | • Meetings/ visits<br>• Verification/ inspection<br>• Bursa announcements<br>• Ad-hoc report submission as and when needed by regulators/ law enforcers |
| Shareholders/ Investor | • Business profitability<br>• Business management<br>• Corporate governance<br>• Risks vs returns<br>• Share price performance<br>Risks and returns | • Bursa announcements<br>• Quarterly financial results and annual report<br>• Annual & extraordinary general meetings<br>• Press release and interviews Press releases and interviews<br>• Corporate website |
| Board of Directors | • Continuous business and operational improvements<br>• Financial results of the Group<br>• Identification and monitoring of corporate strategies and business risks<br>• Interest of various stakeholders | • Board meetings<br>• Annual & extraordinary general meetings<br>• Company events |
| Customers | • Quality assurance and reliable products and services<br>• Customers satisfaction<br>• Technological and operational innovation<br>• New products development<br>• Competitive pricing and on-time delivery | • Face-to-face interaction<br>• Customers satisfaction survey<br>• Social media and corporate website<br>• Company events<br>• Advertisement and marketing events |
| Suppliers | • Business relationships and continuity<br>• Sourcing of quality materials<br>• Selection of suppliers and credit terms | • Face-to-face interaction<br>• Supplier assessment<br>• Email communications |
| Employees | • Career development opportunities<br>• Training and development<br>• Talent and performance management<br>• Work place health and safety<br>• Competitive compensation and benefit packages | • Induction training<br>• Learning and development program<br>• Regular engagement with senior management<br>• Performance appraisals<br>• Company social events |
| Community | • Job creation for local communities<br>• Impact of operations on surrounding environment<br>• Economic support | • Community living<br>• Corporate volunteering program<br>• Corporate website/ social media |
| Analyst/ Media | • Financial and operational performance<br>• Business strategies and plans<br>• Latest development of the Group | • Annual & extraordinary general meetings<br>• Press conference and media interviews<br>• Media release |

# CORPORATE SUSTAINABILITY STATEMENT (CONTINUED)

## ECONOMICS

**The principle of sustainability is integrated in our pursuit of economic growth. We are committed to provide high quality of products and services to our customers while enhancing internal capabilities to meet the ever-changing need of the business environment.**

### BUSINESS PROFITABILITY

| | Audited FYE 2017 RM'000 | Audited FYE 2018 RM'000 | Unaudited FYE 2019 RM'000 |
|---|---|---|---|
| Revenue | 20,012 | 73,069 | 62,205 |
| (Loss)/Profit After Tax | (1,944) | (1,967) | 3,231 |

Ecobuilt Group currently has two major operating segments which includes construction and digital contents & value added services.

The nature of our operating environment is subjected to various risks and opportunities which shall affect our ability to grow the business and profitability continously. In FYE 2019, our Group recorded a total revenue of RM62.2 million, a decrease of 14.9%, compared to revenue of RM73.1 million generated in FYE 2018. The decrease in revenue in FYE 2019 was mainly due to lower revenue generated from our construction segment. Nevertheless, our Group shall put more resources in the construction segment moving forward in order to boost up the revenue and profitability accordingly. Our financial performance is discussed in detailed in the Management Discussion and Analysis ("MD&A") section within our Annual Report.

### ENSURING PRODUCTS & SERVICES QUALITY AND CUSTOMER SATISFACTION

Maintaining and improving the quality of products and services is an essential aspect that contributes to our organisation's business success.

As a construction player, the needs of our customers have to be met to ensure that our order book continue to grow and our business remain sustainable. To achieve this, we have several quality monitoring methods such as consistent quality inspection during construction period, issuance of non-conformance report as and when necessary and regular site inspection by project consultants.

As a digital contents & value added services provider, we strive to ensure our services quality keep up with the ever-changing needs of our customers within the digital industry. To achieve this, we are constantly interacting with our customers to understand their needs and provide innovative services/solutions accordingly.

In ensuring our customers' satisfaction towards our products and services, our team works closely with customers to obtain feedbacks frequently. Any enquiries and complaints from customers shall be dealt with by our team members within a short period of times.

# CORPORATE SUSTAINABILITY STATEMENT (CONTINUED)

## ECONOMICS (CONTINUED)

### AWARDS AND CERTIFICATIONS

Our recent achievements and recognitions are as follows:-

Forbes Asia Pacific Best 200 Under A Billion

BrandFinance® Malaysia's Top 100 Most Valuable Brand

The International Business Times 1000 Fastest-growing companies: Ranked at 63rd World's Fastest Growing Companies

SME Achievers Awards

StarBiz: The 4th Top Gainers Among All Public Companies In Malaysia

Bloomberg Financial Health Report: Rated 99 out of full score of 100

### ECONOMIC RESILIENCE

In order to be resilient in construction industry and digital contents & value added services industry, the Group has identified and assessed relevant risks that may impact our business operations. The risk assessment conducted covers the risks on our business and the reasons for failure of meeting the customers' expectations. A series of mitigation plans/actions have been established to cater for the occurrence of the relevant risks.

### ANTI-BRIBERY AND CORRUPTION

In Ecobuilt, our business transactions and operational practices are governed by our firm controls and Code of Ethics that emphasised ethical practices, of which we are committed to in order to avoid practice of bribery and corruption of all forms in the Group's daily operations. All employees are required to carry out their obligations and responsibilities diligently and decently. This shall then strengthen the trust relationship with our various stakeholders.

In addition, we adhered strictly to all laws and regulations relating to countering bribery and corruption in Malaysia. During FYE 2019, no employees had been disciplined or dismissed, no contracts with suppliers or customers being terminated, nor have any public cases been brought against Ecobuilt and its employees due to non-compliance with our Code of Ethics that relates to corruption or bribery and laws and regulations against acts of corruption. In this regard, there was no fines, penalties or settlements imposed or made during the year.

# CORPORATE SUSTAINABILITY STATEMENT (CONTINUED)

## ENVIRONMENTAL

**Preserving the environment and natural resources are crucial in ensuring our operations are sustainable in long run without sacrificing the quality of life of our various stakeholders.**

**We believe in green initiatives start from small immediate green actions!**

### OUR SMALL IMMEDIATE GREEN ACTIONS

The Group recognises the importance of the life-supporting ecosystems and takes a proactive role in minimising the Group's carbon footprints. The Group encourages its employees and service providers to support the measures implemented which includes:-

- Diligent reporting and promoting paperless transactions through electronic documents to reduce duplication of hard copy documents
- Promoting the use of electronic payment system whereby payments are made directly to service provders accounts
- Reducing environmental degradation through recycling waste paper and paper products
- Recycling and reuse of swapped equipment
- Reducing energy consumption through proper maintenance and create awareness of reducing air-conditioning operation hours

### POLLUTION MINIMISATION

For our construction activites, ambient dust is generated during various phases of construction such as excavation, demolition, hacking, carpentary works, vehicles movement etc. We require our contractors to monitor and control the ambient dust generated in accordance to local environmental pollution control regulations.

### ENVIRONMENTAL COMPLIANCES

The Group shall continue to ensure our business activities are conducted in compliance with the applicable environmental rules and regulations and explores any feasible opportunities to minimise any adverse impact from our business activities to the environment.

We are pleased to highlight that we have not been penalised for any matters related to environmental compliance by any regulatory authorities within the FYE2019.

# CORPORATE SUSTAINABILITY STATEMENT (CONTINUED)

## SOCIAL

**We believe in Great People make great organisation!**

**The wellbeing of our people remains as an important aspect of our overall sustainable strategy.**

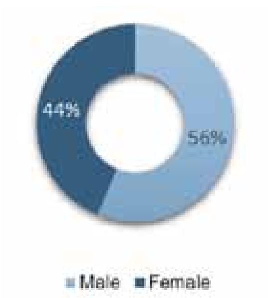
### ABOUT OUR PEOPLE

At Ecobuilt, we advocate diversity in skill sets, experiences and background of our employees, regardless of race, color, religion, gender, national origin, disability status, or any characteristic protected by human resources and human rights regulations as we strongly believe that innovative products and services ideas are developed through interaction amongst employees from different background, knowledge and experiences.

**Total Ecobuilt Group Employees in Malaysia**

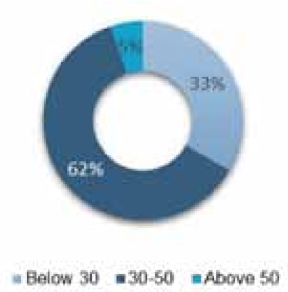

Our employees come in various diversity as follows: -

**Gender**




**Employee Structure**


**Age Group**



# CORPORATE SUSTAINABILITY STATEMENT (CONTINUED)

## SOCIAL (CONTINUED)

### EMPLOYEE WELFARE

The wellbeing and development of our people are key to growth and success of Ecobuilt Group. We take employees' rights and wellbeing seriously at all time and we are pleased to report that there has been no record of violations against our people's rights at any time in the Group's past history.

Our Group adopts the following principles to ensure all employees are accorded with respect and dignity that they deserved:-

**Do's**

- ✓ Ensure employee's wages and compensation comply with all applicable laws and to be paid on time.
- ✓ Provide safe and healthy working environment.
- ✓ Ensure fair recruitment procedures in place.
- ✓ Respect freedom of association and rights of employees.

**Don'ts**

- ➢ Strictly no discrimination, physical abuse, harassment and threat within working environment.
- ➢ Strictly no child labour or under-age workers.
- ➢ Strictly no forced, prison, indentured, bonded or involuntary labour.

### EMPLOYEE LEARNING AND TRAINING

As part of the human capital development, our employees are given opportunities to attend external training to sharpen their skills and knowledges. The Company has also conducted various in-house training programs to boost up the quality and productivity of the employees.

We believe that only highly skilled and dedicated workforces are able to fulfill our business strategies initiatives and willing to go extra miles for the Group.


### EMPLOYEE ENGAGEMENT

Ecobuilt recognises the importance of employee engagement as it stimulates bonding amongst management and employees.

The Shore Annual Dinner
On 30 January 2019, we have organised "The Shore Annual Dinner" to let our employees enjoy the relax moment while develop bonding and sense of belonging.

# STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act, 2016 to ensure that financial statements for each financial year which give a true and fair view of the financial position as at the end of the financial year and the financial performance of the Group for the financial year.

In preparing the financial statements, the Directors are responsible for the adoption of suitable accounting policies that comply with the provisions of the Companies Act, 2016, the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible to ensure that the appropriate accounting policies are consistently applied in the financial statements, supported where necessary by reasonable and prudent judgements.

The Directors hereby confirm that suitable accounting policies have been consistently applied in the preparation of the financial statements. The Directors also confirm that there has been adequate accounting records maintained to safeguard the assets of the Group.

# DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2019.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding.

The principal activities of its subsidiary companies are disclosed in Note 5 to the financial statements.

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

## FINANCIAL RESULTS

| | Group RM | Company RM |
|---|---|---|
| Profit/(Loss) for the financial year attributable to: | | |
| - owners of the Company | 2,561,972 | (4,313,645) |
| - non-controlling interests | 719,353 | – |
| | 3,281,325 | (4,313,645) |

## DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend to be paid for the financial year under review.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

There were no issuances of shares or debentures by the Company during the financial year under review.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year under review.

## DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

| | |
|---|---|
| Ong Chee Koen | |
| Nirmala A/P Doraisamy | |
| Mohd Zaini Bin Noordin | |
| Yap Nam Fee | (Appointed on 20 July 2018) |
| Dato' Noordin Bin Sulaiman | (Appointed on 1 November 2018) |
| Wong Wen Miin | (Appointed on 1 November 2018) |
| Dato' Lim Thean Keong | (Resigned on 25 July 2018) |
| Thong Kooi Pin | (Retired on 15 November 2018) |
| Abdul Razak Bin Dato' Haji Ipap | (Retired on 15 November 2018) |

# DIRECTORS' REPORT (CONTINUED)

**DIRECTORS' INTERESTS IN SHARES OR DEBENTURES**

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **At 1.6.2018/Date of appointment** | **Acquired** | **Disposed** | **At 31.5.2019** |
| **Interest in the Company:** | | | | |
| **Ecobuilt Holdings Berhad** | | | | |
| **(Formerly known as M-Mode Berhad)** | | | | |
| **Direct interest** | | | | |
| Ong Chee Koen | – | 300,000 | – | 300,000 |
| | | | | |
| **Indirect interest** | | | | |
| Dato' Lim Thean Keong[1] | 50,885,000 | – | (50,885,000) | – |
| Ong Chee Koen[2, 3 & 4] | 9,763,000 | 23,787,400 | – | 33,550,400 |
| Yap Nam Fee[3] | 18,194,400 | – | – | 18,194,400 |

*Notes:*

1 *Deemed interested through his direct interest in Corvina Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.*

2 *Deemed interested through his direct interest in E&J Venture Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.*

3 *Deemed interested through his direct interest in Ecobuilt (M) Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.*

4 *Deemed interested through direct interest held by his spouse pursuant to Section 8 of the Companies Act, 2016.*

By virtue of their interests in the shares of the Company, Ong Chee Koen and Yap Nam Fee are deemed to have interests in the shares of all its subsidiary companies to the extent the Company has an interest.

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares or debentures in the Company or its subsidiaries during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

# DIRECTORS' REPORT (CONTINUED)

**DIRECTORS' REMUNERATION**

Details of Directors' remuneration are disclosed in Note 23 to the financial statements.

**SUBSIDIARY COMPANIES**

Details of the subsidiary companies are disclosed in Note 5 to the financial statements.

**AUDITORS' REMUNERATION**

Details of auditors' remuneration are disclosed in Note 21 to the financial statements.

**OTHER STATUTORY INFORMATION**

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

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

(ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render:

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

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

(iii) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

# DIRECTORS' REPORT (CONTINUED)

**OTHER STATUTORY INFORMATION (CONTINUED)**

In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event 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 item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which the report is made.

**SIGNIFICANT EVENTS**

Details of the significant events are disclosed in Note 34 to the financial statements.

**SUBSEQUENT EVENTS**

Details of the subsequent events are disclosed in Note 35 to the financial statements.

**AUDITORS**

The auditors, Messrs. Morison Anuarul Azizan Chew, have expressed their willingness to accept re-appointment.

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

**ONG CHEE KOEN** **YAP NAM FEE**

KUALA LUMPUR
18 September 2019

# STATEMENT BY DIRECTORS

**PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, **ONG CHEE KOEN** and **YAP NAM FEE**, being two of the Directors of **ECOBUILT HOLDINGS BERHAD** (Formerly known as M-MODE BERHAD), do hereby state that, in the opinion of the Directors, the financial statements set out on pages 59 to 113 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 May 2019 and of their financial performance and cash flows for the financial year then ended.

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

**ONG CHEE KOEN** **YAP NAM FEE**

KUALA LUMPUR
18 September 2019

# STATUTORY DECLARATION

**PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016**

I, **WOO SAU FAN**, being the officer primarily responsible for the financial management of **ECOBUILT HOLDINGS BERHAD** (Formerly known as M-MODE BERHAD), do solemnly and sincerely declare that the financial statements and information set out on pages 59 to 113 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )
above named WOO SAU FAN )
at Kuala Lumpur )
on this date of 18 September 2019 ) **WOO SAU FAN**

Before me:

**LAI DIN** (W 668)
COMMISSIONER FOR OATHS
B-3A-4, Megan Avenue 2
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF ECOBUILT HOLDINGS BERHAD
## (FORMERLY KNOWN AS M-MODE BERHAD)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

We have audited the financial statements of Ecobuilt Holdings Berhad (Formerly known as M-Mode Berhad), which comprise the statements of financial position as at 31 May 2019, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 113.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition on construction contract (Refer to Note 2.2(i), Note 2.4(m) and Note 19 to the financial statements)**<br><br>During the financial year, the Group recognised revenue from construction activities amounting to RM47.1million (2018: RM62.3million).<br><br>The Group recognises construction revenue and related cost in profit or loss by reference to the progress towards complete satisfaction of the performance obligation using the output method. The output method recognises revenue based on contract work certified to date which depicts the basis of direct measurements of value to the customer for the work performed to date relative to the remaining construction work promised under the contract.<br><br>We focused on this area because there is inherent subjectivity in the judgements and estimation uncertainty involved in the estimation of the progress towards complete satisfaction of performance obligations as well as the estimated total contract revenue and costs. | We have reviewed the Group's controls on the project budget used to estimate the total construction project costs, revenue recognition and actual project costs incurred.<br><br>On a test basis, we sighted to the certification of actual work performed by external architects. Based on physical proportion of work done certified, we reperformed the calculation of revenue recognised for the financial year.<br><br>We have also checked the extent of actual costs incurred by agreeing a sample of costs incurred to the supporting documents.<br><br>In addition, we have discussed with management/ project team on the status of the projects and compared the construction project's estimated costs to complete against the progress certified by external architects in order to assess the reasonableness of the estimated total construction project costs. |

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ECOBUILT HOLDINGS BERHAD (FORMERLY KNOWN AS M-MODE BERHAD) (CONTINUED)

**INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ECOBUILT HOLDINGS BERHAD (FORMERLY KNOWN AS M-MODE BERHAD) (CONTINUED)

**AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume any responsibility to any other person for the content of this report.

**MORISON ANUARUL AZIZAN CHEW**
Firm Number: AF 001977
Chartered Accountants

**SATHIEA SEELEAN A/L MANICKAM**
Approved Number: 01729/05/2020 J
Chartered Accountant

KUALA LUMPUR
18 September 2019

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 MAY 2019

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 3 | **9,687,713** | 5,340,512 | **1,219,736** | 1,302,485 |
| Intangible assets | 4 | **267,397** | 305,061 | **–** | – |
| Investment in subsidiary companies | 5 | **–** | – | **7,006,008** | 10,201,240 |
| Investment in an associate | 6 | **–** | – | **–** | 180,262 |
| Amount owing by a subsidiary company | 7 | **–** | – | **31,480,892** | – |
| | | **9,955,110** | 5,645,573 | **39,706,636** | 11,683,987 |
| **Current Assets** | | | | | |
| Trade receivables | 8 | **25,342,371** | 10,312,925 | **–** | – |
| Contract assets | 9 | **6,458,984** | 229,916 | **–** | – |
| Other receivables | 10 | **35,039,255** | 20,766,622 | **68,804** | 141,079 |
| Other investments | 11 | **–** | 395,304 | **–** | 395,304 |
| Amount owing by subsidiary companies | 7 | **–** | – | **12,476,144** | 19,706,146 |
| Tax recoverable | | **421,187** | 240,275 | **–** | – |
| Cash and cash equivalents | 12 | **18,783,893** | 43,491,251 | **9,320,571** | 34,061,941 |
| | | **86,045,690** | 75,436,293 | **21,865,519** | 54,304,470 |
| **TOTAL ASSETS** | | **96,000,800** | 81,081,866 | **61,572,155** | 65,988,457 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Share capital | 13 | **17,525,258** | 17,525,258 | **17,525,258** | 17,525,258 |
| Reserves | 14 | **54,180,825** | 51,197,196 | **43,640,479** | 47,532,985 |
| Equity attributable to owners of the Company | | **71,706,083** | 68,722,454 | **61,165,737** | 65,058,243 |
| Non-controlling interests | | **1,209,353** | – | **–** | – |
| **TOTAL EQUITY** | | **72,915,436** | 68,722,454 | **61,165,737** | 65,058,243 |
| **Non-Current Liabilities** | | | | | |
| Borrowings | 15 | **1,804,275** | 96,476 | **–** | – |
| Deferred tax liabilities | 16 | **207,052** | 109,188 | **–** | – |
| | | **2,011,327** | 205,664 | **–** | – |
| **Current Liabilities** | | | | | |
| Trade payables | 17 | **17,094,611** | 5,936,768 | **–** | – |
| Contract liabilities | 9 | **581,363** | 3,057,399 | **–** | – |
| Other payables | 18 | **2,189,801** | 1,966,832 | **314,418** | 270,214 |
| Amount owing to a subsidiary company | 7 | **–** | – | **–** | 660,000 |
| Tax payable | | **393,329** | 1,146,009 | **92,000** | – |
| Borrowings | 15 | **814,933** | 46,740 | **–** | – |
| | | **21,074,037** | 12,153,748 | **406,418** | 930,214 |
| **TOTAL LIABILITIES** | | **23,085,364** | 12,359,412 | **406,418** | 930,214 |
| **TOTAL EQUITY AND LIABILITIES** | | **96,000,800** | 81,081,866 | **61,572,155** | 65,988,457 |

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | Note | RM | RM | RM | RM |
| Revenue | 19 | **62,205,413** | 73,069,077 | **–** | 31,000,000 |
| Purchases and other direct costs | 20 | **(46,043,984)** | (57,972,464) | **–** | – |
| Other operating income | 21 | **765,981** | 1,625,293 | **467,488** | 2,547,590 |
| Employee benefits expense | 22 | **(2,458,394)** | (2,333,261) | **–** | – |
| Amortisation of intangible assets | | **(51,644)** | (970,675) | **–** | – |
| Depreciation of property, plant and equipment | | **(985,363)** | (841,337) | **(82,749)** | (90,082) |
| Directors' remuneration | 23 | **(3,478,921)** | (2,289,036) | **(144,000)** | (72,000) |
| Other operating expenses | 21 | **(5,949,961)** | (12,409,285) | **(4,437,241)** | (3,164,566) |
| Profit/(Loss) from operations | | **4,003,127** | (2,121,688) | **(4,196,502)** | 30,220,942 |
| Share of results of an associate | | **–** | (9,455) | **–** | – |
| Finance costs | 24 | **(89,386)** | (617) | **–** | – |
| Profit/(Loss) before taxation | | **3,913,741** | (2,131,760) | **(4,196,502)** | 30,220,942 |
| Taxation | 25 | **(632,416)** | 165,083 | **(117,143)** | (10,792) |
| Profit/(Loss) for the financial year | | **3,281,325** | (1,966,677) | **(4,313,645)** | 30,210,150 |
| *Other comprehensive income/(loss):* | | | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | | | |
| - Exchange differences arising from translation of foreign operations | | **518** | (423) | **–** | – |
| - Reclassification to profit or loss upon disposal on available for sale financial assets | | **421,139** | (24,755) | **421,139** | – |
| - Fair value changes on available for sale financial assets | | **–** | (370,800) | **–** | (370,800) |
| | | **421,657** | (395,978) | **421,139** | (370,800) |
| Total comprehensive income/(loss) for the financial year | | **3,702,982** | (2,362,655) | **(3,892,506)** | 29,839,350 |
| Profit/(Loss) for the year attributable to: | | | | | |
| - owners of the Company | | **2,561,972** | (1,966,677) | **(4,313,645)** | 30,210,150 |
| - non-controlling interests | | **719,353** | – | **–** | – |
| | | **3,281,325** | (1,966,677) | **(4,313,645)** | 30,210,150 |
| Total comprehensive income/(loss) for the financial year attributable to: | | | | | |
| - owners of the Company | | **2,983,629** | (2,362,655) | **(3,892,506)** | 29,839,350 |
| - non-controlling interests | | **719,353** | – | **–** | – |
| | | **3,702,982** | (2,362,655) | **(3,892,506)** | 29,839,350 |
| ***Earnings/(Loss) per share*** | | | | | |
| Basic and diluted (sen) | 26 | **1.57** | (1.21) | | |

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

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

| Group | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Non-distributable | | | Distributable | | | |
| | Share Capital RM | Available for Sale Reserve RM | Translation Reserve RM | Retained Profits RM | Sub-Total RM | Non-Controlling Interests RM | Total Equity RM |
| At 1 June 2017 | 17,525,258 | (25,584) | (95) | 53,585,530 | 71,085,109 | – | 71,085,109 |
| Loss for the financial year | – | – | – | (1,966,677) | (1,966,677) | – | (1,966,677) |
| Other comprehensive loss: | | | | | | | |
| - Exchange differences arising from translation of foreign operations | – | – | (423) | – | (423) | – | (423) |
| - Fair value changes of available for sale financial assets | – | (370,800) | – | – | (370,800) | – | (370,800) |
| - Reclassification to profit or loss upon disposal on available for sale financial assets | – | (24,755) | – | – | (24,755) | – | (24,755) |
| Total comprehensive loss for the financial year | – | (395,555) | (423) | (1,966,677) | (2,362,655) | – | (2,362,655) |
| At 31 May 2018 | 17,525,258 | (421,139) | (518) | 51,618,853 | 68,722,454 | – | 68,722,454 |
| At 1 June 2018 | 17,525,258 | (421,139) | (518) | 51,618,853 | 68,722,454 | – | 68,722,454 |
| Profit for the financial year | – | – | – | 2,561,972 | 2,561,972 | 719,353 | 3,281,325 |
| Other comprehensive income: | | | | | | | |
| - Exchange differences arising from translation of foreign operations | – | – | 518 | – | 518 | – | 518 |
| - Reclassification to profit or loss upon disposal on available for sale financial assets | – | 421,139 | – | – | 421,139 | – | 421,139 |
| Total comprehensive income for the financial year | – | 421,139 | 518 | 2,561,972 | 2,983,629 | 719,353 | 3,702,982 |
| Issuance of equity interest to non-controlling interest | – | – | – | – | – | 490,000 | 490,000 |
| At 31 May 2019 | **17,525,258** | **–** | **–** | **54,180,825** | **71,706,083** | **1,209,353** | **72,915,436** |

# STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

| Company | Non-distributable Share Capital RM | Non-distributable Available for Sale Reserve RM | Distributable Retained Profits RM | Total RM |
|---|---|---|---|---|
| At 1 June 2017 | 17,525,258 | (50,339) | 17,743,974 | 35,218,893 |
| Profit for the financial year | – | – | 30,210,150 | 30,210,150 |
| Other comprehensive loss: | | | | |
| - Fair value changes of available for sale financial assets | – | (370,800) | – | (370,800) |
| Total comprehensive income for the financial year | – | (370,800) | 30,210,150 | 29,839,350 |
| At 31 May 2018 | 17,525,258 | (421,139) | 47,954,124 | 65,058,243 |
| At 1 June 2018 | 17,525,258 | (421,139) | 47,954,124 | 65,058,243 |
| Loss for the financial year | – | – | (4,313,645) | (4,313,645) |
| Other comprehensive income: | | | | |
| - Reclassification to profit or loss upon disposal of available for sale financial assets | – | 421,139 | – | 421,139 |
| Total comprehensive loss for the financial year | – | 421,139 | (4,313,645) | (3,892,506) |
| At 31 May 2019 | **17,525,258** | **–** | **43,640,479** | **61,165,737** |

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

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Cash Flows from Operating Activities** | | | | |
| Profit/(Loss) before taxation | **3,913,741** | (2,131,760) | **(4,196,502)** | 30,220,942 |
| Adjustments for: | | | | |
| Amortisation of intangible assets | **51,644** | 970,675 | **–** | – |
| Amount owing by subsidiary companies written off | **–** | – | **–** | 2,347,832 |
| Bad debt written off | **11,832** | – | **11,832** | – |
| Deposits written off | **1,554** | – | **–** | – |
| Depreciation of property, plant and equipment | **985,363** | 841,337 | **82,749** | 90,082 |
| Impairment loss on investment in an associate | **–** | 14,079 | **180,262** | 14,079 |
| Impairment loss on investment in subsidiary companies | **–** | – | **1,264,230** | 229,764 |
| Impairment loss on goodwill | **–** | 4,542,836 | **–** | – |
| Impairment loss on intangible asset | **–** | 4,268,659 | **–** | – |
| Finance costs | **89,386** | 617 | **–** | – |
| Share of results of an associate | **–** | 9,455 | **–** | – |
| (Gain)/Loss on disposal of subsidiary companies | **(11,834)** | – | **1,930,996** | – |
| Gain on disposal of property, plant and equipment | **–** | (5,484) | **–** | – |
| Loss/(Gain) on disposal of other investments | **518,362** | (34,212) | **518,362** | – |
| Dividend income | **(7,650)** | (197,161) | **(7,650)** | (105,780) |
| Interest income | **(682,981)** | (1,356,525) | **(459,838)** | (452,660) |
| Unrealised gain on foreign exchange | **(16,452)** | (25,674) | **–** | – |
| Waiver of amount due to a subsidiary company | **–** | – | **–** | (1,989,150) |
| Operating profit/(loss) before changes in working capital | **4,852,965** | 6,896,842 | **(675,559)** | 30,355,109 |
| Changes in working capital: | | | | |
| Trade receivables | **(15,041,278)** | (8,573,383) | **–** | – |
| Contracts assets/(liabilities) | **(8,705,104)** | 2,827,483 | **–** | – |
| Other receivables | **(14,274,187)** | (11,206,564) | **72,275** | 129,261 |
| Amount owing by subsidiary companies | **–** | – | **(24,262,722)** | (7,039,260) |
| Trade payables | **11,157,843** | 5,137,468 | **–** | – |
| Other payables | **234,801** | 1,477,866 | **44,204** | 236,453 |
| Amount owing to a subsidiary company | **–** | – | **(660,000)** | 2,649,150 |
| | **(26,627,925)** | (10,337,130) | **(24,806,243)** | (4,024,396) |
| Cash (used in)/generated from operations | **(21,774,960)** | (3,440,288) | **(25,481,802)** | 26,330,713 |
| Tax refund | **41,494** | 1,046,774 | **–** | – |
| Tax paid | **(1,509,638)** | (348,384) | **(25,143)** | (40,535) |
| | **(1,468,144)** | 698,390 | **(25,143)** | (40,535) |
| Net cash (used in)/generated from operating activities | **(23,243,104)** | (2,741,898) | **(25,506,945)** | 26,290,178 |

# STATEMENTS OF CASH FLOWS
# FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **Cash Flows from Investing Activities** | | | | | |
| Purchase of property, plant and equipment | 27 | **(2,370,314)** | (29,173) | **–** | – |
| Additions in intangible assets | | **(13,980)** | (263,469) | **–** | – |
| Proceeds from disposal of property, plant and equipment | | **–** | 6,896 | **–** | – |
| Proceeds from disposal of other investments | | **298,081** | – | **298,081** | – |
| Net changes in other investments | | **–** | 2,747,195 | **–** | – |
| Net cash inflow/(outflow) arising from issuance of share capital in subsidiary company | | **490,000** | – | **–** | (2,499,998) |
| Net cash inflow arising on disposal of subsidiary companies | 5 | **2** | – | **6** | – |
| Dividend received | | **7,650** | 197,161 | **7,650** | 105,780 |
| Interest received | | **682,981** | 1,356,525 | **459,838** | 452,660 |
| Net cash (used in)/generated from investing activities | | **(905,580)** | 4,015,135 | **765,575** | (1,941,558) |
| **Cash Flows from Financing Activities** | | | | | |
| Repayment of finance lease liabilities | 27 | **(471,170)** | (3,784) | **–** | – |
| Repayment of term loans | 27 | **(15,088)** | – | **–** | – |
| Interest paid | | **(89,386)** | (617) | **–** | – |
| Net cash used in financing activities | | **(575,644)** | (4,401) | **–** | – |
| **Net (decrease)/increase in cash and cash equivalents** | | **(24,724,328)** | 1,268,836 | **(24,741,370)** | 24,348,620 |
| **Effect of exchange rate changes** | | **16,970** | 25,251 | **–** | – |
| **Cash and cash equivalents at the beginning of the financial year** | | **43,491,251** | 42,197,164 | **34,061,941** | 9,713,321 |
| **Cash and cash equivalents at the end of the financial year** | | **18,783,893** | 43,491,251 | **9,320,571** | 34,061,941 |
| **Cash and cash equivalents at the end of the financial year comprises:** | | | | | |
| Short-term deposits with licensed banks | | **8,212,582** | 4,000 | **8,208,457** | – |
| Short-term deposits with fund management companies | | **8,811,340** | 36,947,099 | **1,008,280** | 34,000,271 |
| Cash and bank balances | | **1,759,971** | 6,540,152 | **103,834** | 61,670 |
| | | **18,783,893** | 43,491,251 | **9,320,571** | 34,061,941 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and provision of management service to its subsidiaries.

The principal activities of the subsidiary companies are disclosed in Note 5 to the financial statements.

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

The Company is a public limited liability company, incorporated under the Companies Act, 1965 and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located at D-G-11 & D-1-11, Medan Connaught, Jalan 3/144A, 56000 Kuala Lumpur.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.2.

Accounting standards, amendments to accounting standards and IC interpretation that are effective for the Group and the Company's financial year beginning on or after 1 June 2018 are as follows:

- MFRS 9, "Financial Instruments"
- MFRS 15, "Revenue from Contracts with Customers"
- Amendments to MFRS 1, "First-time Adoption of Malaysian Financial Reporting Standards" (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 2, "Classification and Measurement of Share-Based Payment Transactions"
- Amendments to MFRS 4, "Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts"
- Amendments to MFRS 128, "Investments in Associates and Joint Ventures" (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 140, "Transfers of Investment Property"
- IC Interpretation 22, "Foreign Currency Transactions and Advance Consideration"

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

The above accounting standards, amendments to accounting standards and IC interpretation effective during the financial year do not have any significant impact to the financial results and position of the Group and the Company, except as follows:

Adoption of MFRS 9 "Financial Instruments"

The Group and the Company applied MFRS 9 for the first time in the 2019 financial statements with the date of initial application of 1 June 2018. The standard is applied retrospectively.

In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 June 2018. The detailed impact of the change in accounting policy on financial instruments is disclosed in Note 36.

Adoption of MFRS 15 "Revenue from Contracts with Customers"

The Group and the Company applied MFRS 15 which is applied retrospectively from 1 June 2018. This Standard establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Under this Standard, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of this Standard results in changes in accounting policies for revenue recognition, and has no material financial impact other than the disclosures made in the Group's and the Company's financial statements.

Reclassifications were made to be consistent with the terminology used under MFRS 15 where contract assets/liabilities recognised in relation to construction activities which were previously presented as part of amount due from/to contract customers.

Accounting standards, amendments to accounting standards, IC interpretation and amendments to IC interpretations that are applicable for the Group and the Company in the following periods but are not yet effective:

***Annual periods beginning on/after 1 January 2019***

- MFRS 16, "Leases"
- Amendments to MFRS 3, "Business Combination"(Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 9, "Prepayment Features with Negative Compensation"
- Amendments to MFRS 11, "Joint Arrangement"(Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 112, "Income taxes"(Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 119, "Employee Benefits"(Plan amendment, curtailment or settlement)
- Amendments to MFRS 123, "Borrowing Costs"(Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 128, "Long-term Interests in Associates and Joint Ventures"
- IC Interpretation 23, "Uncertainty over Income Tax Treatments"

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

***Annual periods beginning on/after 1 January 2020***

Amendments to References to the Conceptual Framework in MFRS Standards:

- Amendments to MFRS 2, "Share Based Payments"
- Amendments to MFRS 3, "Business Combinations"
- Amendments to MFRS 6, "Exploration for and Evaluation of Mineral Resources"
- Amendments to MFRS 14, "Regulatory Deferral Accounts"
- Amendments to MFRS 101, "Presentation of Financial Statements"
- Amendments to MFRS 108, "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendments to MFRS 134, "Interim Financial Reporting"
- Amendment to MFRS 137, "Provisions, Contingent Liabilities and Contingent Assets"
- Amendment to MFRS 138, "Intangible Assets"
- Amendment to IC Interpretation 12, "Service Concession Arrangements"
- Amendment to IC Interpretation 19, "Extinguishing Financial Liabilities with Equity Instruments"
- Amendment to IC Interpretation 20, "Stripping Costs in the Production Phase of a Surface Mine"
- Amendment to IC Interpretation 22, "Foreign Currency Transactions and Advance Considerations"
- Amendments to IC Interpretation 132, "Intangible Assets- Web Site Costs"

***Annual periods beginning on/after 1 January 2021***

- MFRS 17, "Insurance Contracts"

***Effective date yet to be determined by the Malaysian Accounting Standards Board***

- Amendments to MFRS 10 and MFRS 128, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The adoption of the accounting standards, amendments to accounting standards, IC Interpretation and Amendments to IC Interpretations are not expected to have any significant impact to the financial statements of the Group and the Company.

### 2.2 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Significant accounting estimates and judgements (continued)

(i) Revenue recognition from construction contracts

The Group recognises revenue from construction contracts over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation using the output method. The output method recognises revenue based on contract work certified to date which depicts the basis of direct measurements of value to the customer for the work performed to date relative to the remaining construction work promised under the contract.

Significant judgement is required in estimating the progress towards complete satisfaction of performance obligations, the estimated total contract revenue and costs, as well as the recoverability of the cost incurred to fulfill the contract with the customer. In making the judgement, the Group evaluates by relying on past experience, industry practices and the work of specialists.

(ii) Impairment of financial assets (applied until 31 May 2018)

The impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. This is determined based on the ageing profile, expected collection patterns of individual receivable balances, credit quality and credit losses incurred. Management carefully monitors the credit quality of receivable balances and makes estimates about the amount of credit losses that have been incurred at each financial statement reporting date. Any changes to the ageing profile, collection patterns, credit quality and credit losses can have an impact on the impairment recorded.

(iii) Measurement of expected credit loss allowance for financial assets (effective from 1 June 2018)

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

(iv) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. When such indicators exist, recoverable amounts of the cash-generating unit are determined based on the value-in-use calculation. These calculations require the estimation of the expected future cash flows from the cash generating unit and a suitable discount rate is applied in order to calculate the present value of those cash flows.

### 2.3 Basis of consolidation

(i) Subsidiary companies

Subsidiaries are entities, including structured entities, controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Basis of consolidation (continued)**

(i) Subsidiary companies (continued)

The Group considers it has de-facto power over an investee when, despite not having the majority of voting rights, it has the current ability in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method on the acquisition date. The consideration transferred includes the fair value of assets transferred, equity interest issued by the Group and liabilities assumed. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are recognised in the profit or loss as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Any difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities, any non-controlling interests and other components of equity related to the disposed subsidiary. Any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset depending on the level of influence retained.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Basis of consolidation (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in profit or loss and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, the proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. Dilution gains or losses arising from investments in associates are recognised in profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment if the carrying value exceeds the recoverable amount of the associate and recognises the difference as impairment losses in profit or loss.

(iii) Joint arrangement

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. The classification either as joint operations or joint ventures depends upon on the contractual rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

A joint venture is accounted for in the financial statements using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and subsequently adjusted to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Basis of consolidation (continued)**

(iii) Joint arrangement (continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

In relation to the Group's interest in the joint operation, the Group recognises its assets plus its share of any assets held jointly, liabilities plus its share of any liabilities incurred jointly, revenue from the sale of its share of the output arising from the joint operation plus share of the revenue from the sale of the output by the joint operation and expenses plus its share of any expenses incurred jointly.

**2.4 Summary of significant accounting policies**

(a) Investment in subsidiaries and associates

In the Company's separate financial statements, investment in subsidiaries and associates are carried at cost less accumulated impairment losses. On disposal of investment in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investment are recognised in profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised as net in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Summary of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(ii) Depreciation and impairment

Depreciation is recognised in the profit or loss 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 are as follows:

| | |
|---|---|
| Freehold land and buildings | 50 years |
| Furniture, fittings and equipment | 5 - 10 years |
| Renovation | 5 - 10 years |
| Motor vehicles | 5 years |
| Research and development equipment | 2 - 10 years |
| Content library | 2 years |
| Plant and machinery | 5 years |
| Cabin | 5 years |

Depreciation methods, useful lives and residual values are reviewed at end of each reporting period, and adjusted as appropriate.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount in accordance with accounting policy Note 2.4(c).

(c) Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Summary of significant accounting policies (continued)

(c) Impairment of non-financial assets (continued)

Impairment losses are recognised in profit or loss unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Impairment losses recognised in prior periods are assessed at the end of each reporting period 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 since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's 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 profit or loss in the financial year in which the reversals are recognised.

(d) Intangible assets

(i) Licences

Acquired licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific license. These costs are amortised over their estimated useful lives of 2 years.

(ii) Development costs

Internally generated development costs incurred for softwares that are directly attributable to a plan or design for the production of new or substantially improved identifiable products and processes are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs recognised as assets are amortised over its estimated useful lives of 10 years.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Summary of significant accounting policies (continued)**

(e) 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 fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(f) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Foreign operations

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

- assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- income and expenses for each statement of profit and loss and other comprehensive income presented are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken directly to other comprehensive income through the translation reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Summary of significant accounting policies (continued)**

(g) Financial assets

***(A) Accounting policies applied until 31 May 2018***

(i) Classification

The Group classifies its financial assets based on the purpose for which the financial assets were acquired at initial recognition in the following categories:

<u>Financial assets at fair value through profit or loss</u>

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current assets.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

<u>Held-to-maturity financial assets</u>

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

<u>Available-for-sale financial assets</u>

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Summary of significant accounting policies (continued)

(g) Financial assets (continued)

***(A) Accounting policies applied until 31 May 2018 (continued)***

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iii) Subsequent measurement

<u>Gains and losses</u>

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Impairment losses and exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

<u>Impairment of financial assets</u>

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an equity instrument, a significant or prolonged declined in fair value below its cost is also considered objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Summary of significant accounting policies (continued)

(g) Financial assets (continued)

***(A) Accounting policies applied until 31 May 2018 (continued)***

(iii) Subsequent measurement (continued)

Impairment of financial assets (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a financial asset measured at amortised cost and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(iv) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Summary of significant accounting policies (continued)

(g) Financial assets (continued)

***(B) Accounting policies applied from 1 June 2018***

(i) Classification

The Group classifies its financial assets in the following measurement categories:
- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL")

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(iii) Subsequent measurement

<u>Debt instruments</u>

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- <u>Amortised cost</u>

  Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Summary of significant accounting policies (continued)**

(g) Financial assets (continued)

***(B) Accounting policies applied from 1 June 2018 (continued)***

(iii) Subsequent measurement (continued)

- FVOCI

  Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised using the effective interest rate method in profit or loss.

- FVTPL

  Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all its equity investments at fair value. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise, except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in OCI as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are recognised in OCI. Dividends from equity investments are recognised in profit or loss when the Group's and the Company's right to receive payments is established.

(iv) Impairment

The Group and the Company assesses expected credit losses associated with its debt instruments carried at amortised cost and at FVOCI on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Expected credit losses represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

For trade receivables and contract assets, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Summary of significant accounting policies (continued)

(g) Financial assets (continued)

***(B) Accounting policies applied from 1 June 2018 (continued)***

(iv) Impairment (continued)

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

In measuring expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking factors affecting the ability of the customers to settle the receivables.

The Group and the Company defines a financial instrument as default, which is aligned with the definition of credit-impaired, when the debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- The debtor is in breach of financial covenants
- Concessions have been made by the Group and the Company related to the debtor's financial difficulty
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- The debtor is insolvent

Financial assets that are credit-impaired are assessed for impairment on an individual basis.

The Group and the Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity.

(h) Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss. Finance liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Fair value though profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Summary of significant accounting policies (continued)

(h) Financial liabilities (continued)

All financial liabilities are subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(j) Leased assets

(i) Finance leases - Accounting by lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

(ii) Operating leases - Accounting by lessee

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

(k) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Summary of significant accounting policies (continued)**

(k) Current and deferred income tax (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(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. The unwinding of the discount is recognised as finance cost.

When the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) Revenue and income recognition

(i) Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group and the Company transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Summary of significant accounting policies (continued)**

(m) Revenue and income recognition (continued)

(i) Revenue from contracts with customers (continued)

A contract with customer exists when the contract has commercial substance, the Group and the Company and its customer has approved the contract and intend to perform their respective obligations, the Group's and Company's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Company will collect the consideration to which it will be entitled to in exchange of those goods or services.

Construction activities

Revenue from construction activities is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's and the Company's performance creates and enhances an asset that the customer controls as the Group and the Group and the Company performs.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on direct measurements of the value transferred by the Group and the Company to the customer (e.g. surveys or appraisals of performance completed to date).

Incremental costs of obtaining a contract, if recoverable, are capitalised as contract assets and are subsequently amortised consistently with the pattern of revenue for the related contract.

Mobile content and data application services

Revenue represents sale of mobile contents and data application services through Mobile Operators or its appointed system providers. Revenue from sale of mobile contents and data application services is recognised when Mobile Operators or its appointed system providers satisfies a performance obligation of provision of contents to the subscribers.

(ii) Other revenue and income

Revenue and income from other sources are recognised as follows:

Dividend income

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

Interest income

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Summary of significant accounting policies (continued)

(n) 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 liability 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.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss in the period to which they relate.

(o) Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(p) Operating segments

Operating segments are reported in a manner consistent with the internal reporting and are regularly reviewed by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land and buildings RM | Furniture, fittings and equipment RM | Renovation RM | Motor vehicles RM | Research and development equipment RM | Content library RM | Plant and machinery RM | Cabin RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At 1.6.2018 | 4,637,325 | 1,658,925 | 903,971 | 1,182,783 | 2,867,409 | 5,059,499 | 2,824 | 25,200 | 16,337,936 |
| Additions | 1,800,000 | 139,078 | 64,183 | – | – | – | 3,319,803 | 9,500 | 5,332,564 |
| At 31.5.2019 | 6,437,325 | 1,798,003 | 968,154 | 1,182,783 | 2,867,409 | 5,059,499 | 3,322,627 | 34,700 | 21,670,500 |
| **Accumulated depreciation** | | | | | | | | | |
| At 1.6.2018 | 791,407 | 1,109,862 | 429,584 | 924,281 | 2,685,721 | 5,054,863 | 376 | 1,330 | 10,997,424 |
| Charge for the financial year | 101,746 | 182,590 | 93,830 | 97,524 | 147,283 | 4,636 | 351,234 | 6,520 | 985,363 |
| At 31.5.2019 | 893,153 | 1,292,452 | 523,414 | 1,021,805 | 2,833,004 | 5,059,499 | 351,610 | 7,850 | 11,982,787 |
| **Carrying amount** | | | | | | | | | |
| At 31.5.2019 | **5,544,172** | **505,551** | **444,740** | **160,978** | **34,405** | **–** | **2,971,017** | **26,850** | **9,687,713** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Freehold land and buildings RM | Furniture, fittings and equipment RM | Renovation RM | Motor vehicles RM | Research and development equipment RM | Content library RM | Plant and machinery RM | Cabin RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At 1.6.2017 | 4,637,325 | 1,658,390 | 903,971 | 1,046,785 | 2,881,609 | 5,059,499 | – | – | 16,187,579 |
| Additions | – | 12,151 | – | 135,998 | – | – | 2,824 | 25,200 | 176,173 |
| Disposal | – | (11,616) | – | – | (14,200) | – | – | – | (25,816) |
| At 31.5.2018 | 4,637,325 | 1,658,925 | 903,971 | 1,182,783 | 2,867,409 | 5,059,499 | 2,824 | 25,200 | 16,337,936 |
| **Accumulated depreciation** | | | | | | | | | |
| At 1.6.2017 | 698,661 | 912,731 | 339,186 | 847,157 | 2,423,149 | 4,959,607 | – | – | 10,180,491 |
| Charge for the financial year | 92,746 | 207,335 | 90,398 | 77,124 | 276,772 | 95,256 | 376 | 1,330 | 841,337 |
| Disposal | – | (10,204) | – | – | (14,200) | – | – | – | (24,404) |
| At 31.5.2018 | 791,407 | 1,109,862 | 429,584 | 924,281 | 2,685,721 | 5,054,863 | 376 | 1,330 | 10,997,424 |
| **Carrying amount** | | | | | | | | | |
| At 31.5.2018 | 3,845,918 | 549,063 | 474,387 | 258,502 | 181,688 | 4,636 | 2,448 | 23,870 | 5,340,512 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Company | Freehold land and building RM | Furniture, fittings and equipment RM | Renovation RM | Total RM |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1.6.2018/31.5.2019 | 1,288,960 | 285,959 | 314,405 | 1,889,324 |
| **Accumulated depreciation** | | | | |
| At 1.6.2018 | 169,713 | 188,176 | 228,950 | 586,839 |
| Charge for the financial year | 25,779 | 25,529 | 31,441 | 82,749 |
| At 31.5.2019 | 195,492 | 213,705 | 260,391 | 669,588 |
| **Carrying amount** | | | | |
| At 31.5.2019 | **1,093,468** | **72,254** | **54,014** | **1,219,736** |
| **Cost** | | | | |
| At 1.6.2017/31.5.2018 | 1,288,960 | 285,959 | 314,405 | 1,889,324 |
| **Accumulated depreciation** | | | | |
| At 1.6.2017 | 143,934 | 155,314 | 197,509 | 496,757 |
| Charge for the financial year | 25,779 | 32,862 | 31,441 | 90,082 |
| At 31.5.2018 | 169,713 | 188,176 | 228,950 | 586,839 |
| **Carrying amount** | | | | |
| At 31.5.2018 | 1,119,247 | 97,783 | 85,455 | 1,302,485 |

The Group's freehold land and buildings with a carrying amount of RM1,791,000 (2018: RM Nil) are pledged to a licensed bank as security for borrowings as disclosed in Note 15 to the financial statements.

Included in the property, plant and equipment of the Group are motor vehicle and plant and machinery acquired under finance leases with carrying amount as follows:

| | Group 2019 RM | 2018 RM |
|---|---|---|
| Motor vehicle | **106,532** | 131,465 |
| Plant and machinery | **2,743,667** | – |
| | **2,850,199** | 131,465 |

## 4. INTANGIBLE ASSETS

| Group | Licence RM | Development costs RM | Total RM |
|---|---|---|---|
| **Cost** | | | |
| At 1.6.2018 | 320,375 | 11,181,931 | 11,502,306 |
| Additions | – | 13,980 | 13,980 |
| At 31.5.2019 | 320,375 | 11,195,911 | 11,516,286 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 4. INTANGIBLE ASSETS (CONTINUED)

| Group | Licence RM | Development costs RM | Total RM |
|---|---|---|---|
| **Accumulated amortisation** | | | |
| At 1.6.2018 | 320,375 | 6,608,211 | 6,928,586 |
| Amortisation for the financial year | – | 51,644 | 51,644 |
| At 31.5.2019 | 320,375 | 6,659,855 | 6,980,230 |
| **Accumulated impairment loss** | | | |
| At 1.6.2018/31.5.2019 | – | 4,268,659 | 4,268,659 |
| **Carrying amount** | | | |
| At 31.5.2019 | **–** | **267,397** | **267,397** |
| **Cost** | | | |
| At 1.6.2017 | 320,375 | 10,918,462 | 11,238,837 |
| Additions | – | 263,469 | 263,469 |
| At 31.5.2018 | 320,375 | 11,181,931 | 11,502,306 |
| **Accumulated amortisation** | | | |
| At 1.6.2017 | 258,593 | 5,699,318 | 5,957,911 |
| Amortisation for the financial year | 61,782 | 908,893 | 970,675 |
| At 31.5.2018 | 320,375 | 6,608,211 | 6,928,586 |
| **Accumulated impairment loss** | | | |
| At 1.6.2017 | – | – | – |
| Impairment for the financial year | – | 4,268,659 | 4,268,659 |
| At 31.5.2018 | – | 4,268,659 | 4,268,659 |
| **Carrying amount** | | | |
| At 31.5.2018 | – | 305,061 | 305,061 |

The Group capitalised costs on development works relating to the enhancement of its existing software and development of new software packages which management expects will contribute to the generation of additional future economic benefits.

## 5. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

| | Company 2019 RM | Company 2018 RM |
|---|---|---|
| Unquoted shares, at cost | **8,600,002** | 11,655,000 |
| Less: Impairment loss | **(1,593,994)** | (1,453,760) |
| | **7,006,008** | 10,201,240 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(a) Investment in subsidiary companies (continued)

Movement on the provision of impairment loss on investment in subsidiary companies is as follows:

| | Company 2019 RM | 2018 RM |
|---|---|---|
| At beginning of the financial year | **1,453,760** | 1,223,996 |
| Add: Impairment loss during the financial year | **1,264,230** | 229,764 |
| Less: Disposal during the financial year | **(1,123,996)** | – |
| At end of the financial year | **1,593,994** | 1,453,760 |

(b) The subsidiary companies and shareholding therein are as follows:

| Name of company | Country of incorporation and principal place of business | Effective ownership and voting interest 2019 % | 2018 % | Principal activities |
|---|---|---|---|---|
| **Direct holding:** | | | | |
| M-Mode Mobile Sdn. Bhd. | Malaysia | **100** | 100 | Provision of mobile contents and data application services |
| Mobile Multimedia Sdn. Bhd. | Malaysia | **100** | 100 | Provision of mobile contents and data application services |
| Tameko Sdn. Bhd. | Malaysia | **100** | 100 | Provision of mobile contents and data application services |
| M-Mode Media Sdn. Bhd. | Malaysia | **–** | 100 | Media advertisement agent, and production and distribution of magazines |
| Cypress Valley Sdn. Bhd. | Malaysia | **–** | 100 | Dormant |
| One Seed Sdn. Bhd. | Malaysia | **–** | 100 | Provision of mobile games publishing platform and related services |
| E&J Builders Sdn. Bhd. | Malaysia | **100** | 100 | General contractors for construction work of a related activities |
| **Indirect holding:** | | | | |
| **Subsidiary of Tameko Sdn. Bhd.** | | | | |
| *Restro Digital Pte. Ltd. | Singapore | **–** | 100 | Provision of mobile cellular, radio paging, other mobile telecommunication and related activities |
| **Subsidiary of E&J Builders Sdn. Bhd.** | | | | |
| Gabungan EJB Construkt Sdn. Bhd. | Malaysia | **51** | – | General contractors for construction work of a related activities |

* Subsidiary company not audited by Messrs. Morison Anuarul Azizan Chew.

(c) Incorporation of Gabungan EJB Construkt Sdn. Bhd.

During the financial year, a wholly-owned subsidiary of the Company, E&J Builders Sdn. Bhd. incorporated a subsidiary, Gabungan EJB Construkt Sdn. Bhd. in Malaysia, comprising 100 ordinary shares for total cash consideration of RM100.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(c) Incorporation of Gabungan EJB Construkt Sdn. Bhd. (continued)

Subsequently, Gabungan EJB Construkt Sdn. Bhd. increased its issued and paid-up share capital from 100 ordinary shares to 1,000,000 ordinary shares by way of issuance of 999,900 new ordinary shares for a cash consideration of RM999,900, whereby 51% of the equity interest were subscribed by the Group.

(d) Disposal of subsidiary companies

(i) M-Mode Media Sdn. Bhd.

On 28 August 2018, the Company entered into a Sale and Purchase Agreement with Goh Leong Yeong and Leow Soon Lok to dispose its entire 2,500 ordinary shares, representing 100% of the total share capital of M-Mode Media Sdn. Bhd. for a total cash sale consideration of RM2. The share disposal was completed on 5 October 2018.

(ii) Cypress Valley Sdn. Bhd.

On 7 August 2018, the Company entered into a Sale and Purchase Agreement with Choo Peng Hung and Chan Choi Teng to dispose its entire 2,500 ordinary shares, representing 100% of the total share capital of Cypress Valley Sdn. Bhd. for a total cash sale consideration of RM2. The share disposal was completed on 24 August 2018.

(iii) One Seed Sdn. Bhd.

On 28 August 2018, the Company entered into a Sale and Purchase Agreement with Goh Leong Yeong and Leow Soon Lok to dispose its entire 3,000,000 ordinary shares, representing 100% of the total share capital of One Seed Sdn. Bhd. for a total cash sale consideration of RM2. The share disposal was completed on 5 October 2018.

The aggregate cash inflows arising from the above disposals are as follows:

| | Group | |
|---|---|---|
| | **2019 RM** | **2018 RM** |
| Asset | | |
| Cash and cash equivalents | **6** | – |
| Liability | | |
| Other payables | **(11,834)** | – |
| Net liability disposed | **(11,828)** | – |
| Gain on disposal of subsidiary companies (Note 21) | **11,834** | – |
| Cash proceeds from disposal | **6** | – |

| | Company | |
|---|---|---|
| | **2019 RM** | **2018 RM** |
| Investment in subsidiary companies, net | **1,931,002** | – |
| Less: Loss on disposal of subsidiary companies (Note 21) | **(1,930,996)** | – |
| Cash proceeds from disposal | **6** | – |
| Less: Cash and cash equivalents in subsidiary companies disposed | **(4)** | – |
| Net cash inflow on disposal | **2** | – |

(e) Strike off of Restro Digital Pte. Ltd.

Restro Digital Pte. Ltd. was struck off on 9 July 2018 from the Accounting and Corporate Regulatory Authority of Singapore pursuant to Section 344 of the Companies Act of Singapore.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 6. INVESTMENT IN AN ASSOCIATE

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Unquoted shares, at cost | **961,250** | 961,250 | **961,250** | 961,250 |
| Share of post-acquisition reserves | **(180,262)** | (180,262) | **–** | – |
| | **780,988** | 780,988 | **961,250** | 961,250 |
| Less: Impairment loss | **(780,988)** | (780,988) | **(961,250)** | (780,988) |
| | **–** | – | **–** | 180,262 |
| Represented by: | | | | |
| Share of net assets | **–** | – | | |

The associate is Say Me Commerce Sdn. Bhd., a company incorporated in Malaysia, in which the Group holds 38.75% (2018: 38.75%) equity interest. The associate is principally engaged in e-commerce businesses.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Non-current assets | **1,328** | 11,399 |
| Current assets | **21,456** | 28,340 |
| Current liabilities | **(4,288)** | (3,408) |
| Net assets | **18,496** | 36,331 |
| **Results** | | |
| Revenue | **–** | – |
| Loss/Total comprehensive loss for the financial year | **(26,856)** | (24,400) |

## 7. AMOUNT OWING BY/(TO) SUBSIDIARY COMPANIES

| | Company | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Amount owing by subsidiary companies | | |
| - current assets | **12,476,144** | 19,706,146 |
| - non-current assets | **31,480,892** | – |
| | **43,957,036** | 19,706,146 |
| Amount owing to a subsidiary company | | |
| - current liabilities | **–** | 660,000 |

The amount owing by/(to) subsidiary companies are non-trade in nature, unsecured, interest-free and are repayable on demand.

Following the issuance of Financial Reporting Standards Implementation Committee ("FRSIC"), FRSIC Consensus 31 – Classification of Amount due from Subsidiaries and Amount due to Holding Company that is Repayable on Demand by the Malaysian Institute of Accountants on 4 July 2018, the Directors of the Company had reviewed the expected repayments from subsidiary company and hence had classified certain amount owing by subsidiary companies as non-current.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 8. TRADE RECEIVABLES

The Group's and the Company's normal trade credit terms range from 30 to 120 days (2018: 60 to 90 days).

The ageing analysis is as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Neither past due nor impaired | **21,992,851** | 2,982,252 |
| Past due 1 - 90 days but not impaired | **1,776,324** | 3,577,532 |
| Past due 91 - 180 days but not impaired | **575,210** | 3,752,229 |
| Past due more than 180 days but not impaired | **997,986** | 912 |
| | **3,349,520** | 7,330,673 |
| | **25,342,371** | 10,312,925 |

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. These debtors are mostly long term customers with no history of default in payments.

The Group's and the Company's trade receivables that are past due at the reporting date but not impaired relate mainly to customers who have never defaulted on payments but are slow paymasters and are periodically monitored.

Included in trade receivables of the Group is retention sum amounting to RM4,131,266 (2018: RM727,634).

At the reporting date, the Group's concentration of the top 1 (2018: 1) trade customer of the Group represents 41% (2018: 70%) of the total trade receivables.

## 9. CONTRACT ASSETS/(LIABILITIES)

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Cost incurred to date | **102,329,045** | 54,280,719 |
| Add: Attributable profits | **9,478,366** | 5,186,814 |
| | **111,807,411** | 59,467,533 |
| Less: Progress billings | **(105,929,790)** | (62,295,016) |
| | **5,877,621** | (2,827,483) |
| **Represented by:** | | |
| Construction activities: | | |
| Contract assets | **6,458,984** | 229,916 |
| Contract liabilities | **(581,363)** | (3,057,399) |
| | **5,877,621** | (2,827,483) |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 9. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

Contract costs incurred during the financial year is derived after charging:

| | | Group | |
|---|---|---|---|
| | Note | 2019<br>RM | 2018<br>RM |
| Rental expense | | **1,496,592** | 1,245,362 |
| Staff costs | 22 | **2,580,270** | 1,801,080 |

Unsatisfied long-term contracts

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied as at the reporting date of the Company was RM429,898,895 (2018: RM11,263,737) of which the Company expects to be recognised as revenue over the next 28 to 36 months (2018: 12 months).

## 10. OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM | 2018<br>RM | 2019<br>RM | 2018<br>RM |
| Other receivables | **15,369,855** | 1,356,077 | **76,901** | 135,497 |
| Less: Impairment loss | **(21,949)** | (21,949) | **(21,949)** | (21,949) |
| | **15,347,906** | 1,334,128 | **54,952** | 113,548 |
| Prepayments | **10,275,050** | 10,084,800 | **480** | 14,159 |
| Deposits | **9,416,299** | 9,347,694 | **13,372** | 13,372 |
| | **35,039,255** | 20,766,622 | **68,804** | 141,079 |

Movement on the impairment loss during the financial year as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM | 2018<br>RM | 2019<br>RM | 2018<br>RM |
| At beginning/end of the financial year | **21,949** | 21,949 | **21,949** | 21,949 |

Included in other receivables of the Group is an advance of RM14,200,000 (2018: RM Nil) paid to a sub-contractor for commencement of a construction project. As at the date of this report, the construction project has commenced and is currently on-going.

Included in prepayments of the Group is an amount of RM10,017,488 (2018: RM10,017,488) paid to a supplier for equipment used for the Group's construction projects.

Included in deposits of the Group is an amount of RM9,000,000 (2018: RM9,000,000) paid to the joint arrangement partner pursuant to the Joint Venture Agreement.

## 11. OTHER INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM | 2018<br>RM | 2019<br>RM | 2018<br>RM |
| **Available for sale financial assets** | | | | |
| Quoted shares in Malaysia | – | 395,304 | – | 395,304 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 12. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Short-term deposits with licensed banks | **8,212,582** | 4,000 | **8,208,457** | – |
| Short-term deposits with fund management companies | **8,811,340** | 36,947,099 | **1,008,280** | 34,000,271 |
| Cash and bank balances | **1,759,971** | 6,540,152 | **103,834** | 61,670 |
| | **18,783,893** | 43,491,251 | **9,320,571** | 34,061,941 |

The interest rates per annum of the short-term deposits that were effective as at the reporting date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | % | % | % | % |
| Short-term deposits with licensed banks | **2.95 - 3.95** | 3.15 | **2.95 - 3.95** | – |
| Short-term deposits with fund management companies | **3.22 - 3.73** | 3.29 - 3.84 | **3.60 - 3.73** | 3.59 - 3.76 |

Deposits of the Group and the Company have an average maturity period of 30 days (2018: 30 days). Bank balances and short term deposits with licensed banks are deposits held at call with banks.

## 13. SHARE CAPITAL

| | Group/Company | | | |
|---|---|---|---|---|
| | Number of shares | | Amount | |
| | **2019** | **2018** | **2019** | **2018** |
| | **Units** | **Units** | **RM** | **RM** |
| **Issued and fully paid** | | | | |
| At beginning/end of the financial year | **162,709,500** | 162,709,500 | **17,525,258** | 17,525,258 |

## 14. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| **Non-Distributable:** | | | | |
| Available for sale reserve | **–** | (421,139) | **–** | (421,139) |
| Translation reserve | **–** | (518) | **–** | – |
| | **–** | (421,657) | **–** | (421,139) |
| **Distributable:** | | | | |
| Retained profits | **54,180,825** | 51,618,853 | **43,640,479** | 47,954,124 |
| | **54,180,825** | 51,197,196 | **43,640,479** | 47,532,985 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 14. RESERVES (CONTINUED)

(a) Available for sale reserves

Available for sale reserve comprises the cumulative changes in fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(b) Translation reserves

Translation reserve comprises foreign currency differences arising from the translation of the financial statements of the foreign operation.

## 15. BORROWINGS

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| **Current** | | |
| Secured: | | |
| Term loans | **49,353** | – |
| Finance lease liabilities | **765,580** | 46,740 |
| | **814,933** | 46,740 |
| **Non-current** | | |
| Secured: | | |
| Term loans | **1,475,809** | – |
| Finance lease liabilities | **328,466** | 96,476 |
| | **1,804,275** | 96,476 |
| **Secured:** | | |
| Term loans | **1,525,162** | – |
| Finance lease liabilities | **1,094,046** | 143,216 |
| | **2,619,208** | 143,216 |

The above term loans obtained from a licensed bank are secured by the following:

(a) The principal instrument, a facilities agreement for the sum of RM1,540,250;

(b) A registered open all monies 1st party charge created over the property as disclosed in Note 3 to the financial statements;

(c) Guaranteed by the Company; and

(d) A legal charge over the freehold building of the Company as disclosed in Note 3 to the financial statements.

The term loans bears an interest rate of 2.57% (2018: Nil) per year below the bank's based lending rate.

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Repayable within one year | **49,471** | – |
| Repayable between one to five years | **218,924** | – |
| Repayable more than five years | **1,256,767** | – |
| | **1,525,162** | – |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 15. BORROWINGS (CONTINUED)

Finance lease liabilities are effectively secured as right to the leased asset will return to the lessor in the event of default. Finance lease liabilities payable are as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| **Gross minimum lease payments** | | |
| Payable within one year | **813,060** | 52,812 |
| Payable between one to five years | **333,490** | 101,209 |
| | **1,146,550** | 154,021 |
| Less: Future finance charges | **(52,504)** | (10,805) |
| | **1,094,046** | 143,216 |
| **Present value of finance lease liabilities** | | |
| Repayable within one year | **765,580** | 46,740 |
| Repayable between one and five years | **328,466** | 96,476 |
| | **1,094,046** | 143,216 |

The finance lease liabilities of the Group bear interest at rate of 2.59% - 3.46% (2018: 2.59%) per annum.

## 16. DEFERRED TAX LIABILITIES

The analysis of deferred tax liabilities are as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| At beginning of the year | **109,188** | 1,429,050 |
| Recognised in profit or loss (Note 25): | | |
| - property, plant and equipment | **237,258** | (1,325,247) |
| - unabsorbed capital allowance | **(139,394)** | 5,385 |
| | **97,864** | **(1,319,862)** |
| At end of the financial year | **207,052** | 109,188 |

The components of deferred tax liabilities of the Group during the financial year prior to offsetting are as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Deferred tax liabilities: | | |
| - property, plant and equipment | **207,052** | 109,188 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 16. DEFERRED TAX LIABILITIES (CONTINUED)

The deductible temporary difference and unutilised tax losses of the Group and of the Company for which no deferred tax assets were recognised in the statements of financial position are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Unutilised tax losses | **7,638,481** | 6,167,082 | **4,731,513** | 4,389,798 |
| Unabsorbed capital allowance | **291,087** | 389,681 | **405,389** | 389,681 |
| | **7,929,568** | 6,556,763 | **5,136,902** | 4,779,479 |
| Deferred taxation not recognised at 24% (2018: 24%) | **1,903,096** | 1,573,623 | **1,232,856** | 1,147,075 |

## 17. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 30 to 90 days (2018: 30 to 90 days).

Included in trade payables of the Group is retention sum amounting to RM3,454,330 (2018: RM1,417,215).

## 18. OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Other payables | **623,593** | 599,248 | **288,318** | 258,414 |
| Accrued expenses | **1,566,208** | 1,367,584 | **26,100** | 11,800 |
| | **2,189,801** | 1,966,832 | **314,418** | 270,214 |

## 19. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Revenue recognised from contracts with customers: | | | | |
| Mobile content and data application services | **12,412,320** | 10,774,061 | **–** | – |
| Sales of building materials | **2,660,706** | – | **–** | – |
| Construction activities | **47,132,387** | 62,295,016 | **–** | – |
| | **62,205,413** | 73,069,077 | **–** | – |
| Revenue from other sources: | | | | |
| Dividend income received from subsidiary companies | **–** | – | **–** | 31,000,000 |
| | **62,205,413** | 73,069,077 | **–** | 31,000,000 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 19. REVENUE (CONTINUED)

Breakdown of revenue recognised from contracts with customers is as follows:

| | Group 2019 RM | Group 2018 RM |
|---|---|---|
| **Geographical market** | | |
| Malaysia | **62,205,413** | 71,427,756 |
| Others * | **–** | 1,641,321 |
| | **62,205,413** | 73,069,077 |

* Others consists of Myanmar, Thailand and Philippines.

| | Group 2019 RM | Group 2018 RM |
|---|---|---|
| **Timing of revenue recognition** | | |
| At a point in time | **15,073,026** | 10,774,061 |
| Over time | **47,132,387** | 62,295,016 |
| | **62,205,413** | 73,069,077 |

## 20. PURCHASES AND OTHER DIRECT COSTS

| | Group 2019 RM | Group 2018 RM |
|---|---|---|
| Mobile content and data application services | **973,204** | 842,297 |
| Construction works | **45,070,780** | 57,130,167 |
| | **46,043,984** | 57,972,464 |

## 21. OTHER OPERATING EXPENSES/(INCOME)

Included in other operating expenses/(income) are the following charges/(credits):

| | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|
| Auditors' remuneration | | | | |
| - current year | **105,500** | 88,165 | **20,000** | 20,000 |
| - overprovision in prior year | **–** | (18,818) | **–** | (2,000) |
| - non-audit services | **9,000** | 9,000 | **3,000** | 3,000 |
| Amount owing by subsidiary companies written off | **–** | – | **–** | 2,347,832 |
| Bad debt written off | **11,832** | – | **11,832** | – |
| Deposits written off | **1,554** | – | **–** | – |
| Impairment loss on goodwill | **–** | 4,542,836 | **–** | – |
| Impairment loss on investment in an associate | **–** | 14,079 | **180,262** | 14,079 |
| Impairment loss on investment in subsidiary companies | **–** | – | **1,264,230** | 229,764 |
| Impairment loss on intangible asset | **–** | 4,268,659 | **–** | – |
| Loss/(Gain) on disposal of other investment | **518,362** | (34,212) | **518,362** | – |
| (Gain)/Loss on disposal of subsidiary companies | **(11,834)** | – | **1,930,996** | – |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 21. OTHER OPERATING EXPENSES/(INCOME) (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Rental of equipment | **24,039** | 7,952 | **–** | 2,880 |
| Rental of motor vehicle | **–** | 16,800 | **–** | – |
| Rental of storage space | **1,001** | 3,051 | **31** | 143 |
| Rental of premises | **76,078** | 44,881 | **1,800** | – |
| Interest income | **(682,981)** | (1,356,525) | **(459,838)** | (452,660) |
| Foreign exchange loss/(gain) | | | | |
| - Realised | **123** | 45,605 | **–** | – |
| - Unrealised | **(16,452)** | (25,674) | – | – |
| Dividend income | **(7,650)** | (197,161) | **(7,650)** | (105,780) |
| Gain on disposal of property, plant and equipment | **–** | (5,484) | **–** | – |
| Waiver of amount due to a subsidiary company | **–** | – | **–** | (1,989,150) |

## 22. EMPLOYEE BENEFITS EXPENSE

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Staff costs (excluding Directors) comprise: | | |
| Charged to profit or loss | **2,458,394** | 2,333,261 |
| Staff costs recognised in contract costs | **2,580,270** | 1,801,080 |
| Capitalised as intangible assets | **–** | 249,250 |
| Total staff costs for the financial year | **5,038,664** | 4,383,591 |

Included in the total staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM466,539 (2018: RM453,224).

## 23. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Executive Directors: | | | | |
| - Salary and other emoluments | **3,147,194** | 1,920,714 | **–** | – |
| - Defined contribution plan | **184,499** | 294,586 | **–** | – |
| - Social security contributions | **3,228** | 1,736 | **–** | – |
| | **3,334,921** | 2,217,036 | **–** | – |
| Non-executive directors: | | | | |
| - Fees | **144,000** | 72,000 | **144,000** | 72,000 |
| | **3,478,921** | 2,289,036 | **144,000** | 72,000 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 23. DIRECTORS' REMUNERATION (CONTINUED)

| | Company | |
|---|---|---|
| | **2019** | **2018** |
| | **Number of Directors** | |
| Executive Directors: | | |
| Below RM100,000 | **–** | 1 |
| Between RM100,001 to RM2,000,000 | **3** | 1 |
| Non-executive Directors: | | |
| Below RM50,000 | **6** | 4 |

## 24. FINANCE COSTS

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Interest expense on: | | |
| Term loans | **32,590** | – |
| Finance lease liabilities | **56,796** | 617 |
| | **89,386** | 617 |

## 25. TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Current taxation: | | | | |
| - Current year provision | **652,445** | 1,146,469 | **92,000** | – |
| - (Over)/Under provision in prior year | **(117,893)** | 8,310 | **25,143** | 10,792 |
| | **534,552** | 1,154,779 | **117,143** | 10,792 |
| Deferred taxation: | | | | |
| - Original and reversal of temporary differences | **97,864** | (1,319,862) | **–** | – |
| Taxation for the financial year | **632,416** | (165,083) | **117,143** | 10,792 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 25. TAXATION (CONTINUED)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Profit/(Loss) before taxation | **3,913,741** | (2,131,760) | **(4,196,502)** | 30,220,942 |
| Taxation at statutory tax rate of 24% (2018: 24%) | **939,298** | (511,622) | **(1,007,160)** | 7,253,026 |
| Expenses not deductible for tax purposes | **3,816,392** | 4,433,942 | **1,125,575** | 763,629 |
| Income not subject to tax | **(4,333,229)** | (4,173,788) | **(112,197)** | (8,051,422) |
| Deferred tax assets not recognised | **329,474** | 92,254 | **85,782** | 34,767 |
| Utilisation of deferred tax assets not recognised | **(1,626)** | (14,179) | **–** | – |
| (Over)/Under provision of current taxation in prior year | **(117,893)** | 8,310 | **25,143** | 10,792 |
| Taxation for the financial year | **632,416** | (165,083) | **117,143** | 10,792 |

One of the subsidiary companies of the Group was granted extension of pioneer status for five years under Section 14C, Promotion of Investment Act, 1986.

## 26. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share of the Group is calculated by dividing the consolidated profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the financial year.

| | Group | |
|---|---|---|
| | **2019 RM** | **2018 RM** |
| Profit/(Loss) for the financial year attributable to the owners of the Company | **2,561,972** | (1,966,677) |
| Weighted number of ordinary shares issued | **162,709,500** | 162,709,500 |
| Basic earnings/(loss) per share (sen) | **1.57** | (1.21) |

(b) Diluted earnings/(loss) per share

There is no diluted earnings/(loss) per share as the Group does not have any dilutive potential ordinary of shares during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 27. CASH FLOW INFORMATION

(a) Purchase of property, plant and equipment

| | Group 2019 RM | Group 2018 RM |
|---|---|---|
| Cost of property, plant and equipment purchased | **5,332,564** | 176,173 |
| Less: Finance lease liabilities | **(1,422,000)** | (147,000) |
| Less: Term loans | **(1,540,250)** | – |
| Cash payment | **2,370,314** | 29,173 |

(b) Reconciliation of liabilities arising from financing activities

| | Term loans RM | Finance lease liabilities RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| At 1.6.2018 | – | 143,216 | 143,216 |
| Cash flow | (15,088) | (471,170) | (486,258) |
| Finance lease financing for additions of property, plant and equipment | – | 1,422,000 | 1,422,000 |
| Term loans financing for additions of property, plant and equipment | 1,540,250 | – | 1,540,250 |
| Total non-cash changes | 1,540,250 | 1,422,000 | 2,962,250 |
| At 31.5.2019 | **1,525,162** | **1,094,046** | **2,619,208** |
| At 1.6.2017 | – | – | – |
| Cash flow | – | (3,784) | (3,784) |
| Finance lease financing for additions of property, plant and equipment | – | 147,000 | 147,000 |
| Total non-cash changes | – | 147,000 | 147,000 |
| At 31.5.2018 | – | 143,216 | 143,216 |

## 28. SEGMENTAL INFORMATION

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

The reportable business segments of the Group comprise the following:

Investment holding : Investment

Contents and value added services : Mobile content and data application services

Construction : Construction works

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 28. SEGMENTAL INFORMATION (CONTINUED)

Segment revenue, results and assets include items directly attributable to a segment and those where a reasonable basis of allocation exists. Inter-segment revenues are eliminated on consolidation.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total assets are used to measure the return of assets of each segment.

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

### (a) Business segments

| | Construction RM | Contents and value added services RM | Investment holding RM | Elimination RM | Consolidated RM |
|---|---|---|---|---|---|
| **2019** | | | | | |
| **REVENUE** | | | | | |
| External revenue | 49,793,093 | 12,412,320 | – | – | 62,205,413 |
| Intersegment revenue | 34,474,705 | – | – | (34,474,705) | – |
| | 84,267,798 | 12,412,320 | – | (34,474,705) | 62,205,413 |
| **RESULTS** | | | | | |
| Profit/(Loss) from operations | 2,965,798 | 1,849,607 | (4,199,600) | 3,387,322 | 4,003,127 |
| Finance costs | | | | | (89,386) |
| Taxation | | | | | (632,416) |
| Profit for the year | | | | | 3,281,325 |
| **OTHER INFORMATION** | | | | | |
| Segment assets | 69,431,707 | 17,509,033 | 61,572,155 | (52,512,095) | 96,000,800 |
| Segment liabilities | 60,805,748 | 7,392,805 | 406,418 | (45,519,607) | 23,085,364 |
| Capital expenditure | 5,317,987 | 28,557 | – | – | 5,346,544 |
| Depreciation of property, plant and equipment | 406,250 | 496,364 | 82,749 | – | 985,363 |
| Amortisation of intangible assets | – | 51,644 | – | – | 51,644 |
| **2018** | | | | | |
| **REVENUE** | | | | | |
| External revenue | 62,295,016 | 10,774,061 | – | – | 73,069,077 |
| Intersegment revenue | – | (312,748) | 31,000,000 | (30,687,252) | – |
| | 62,295,016 | 10,461,313 | 31,000,000 | (30,687,252) | 73,069,077 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 28. SEGMENTAL INFORMATION (CONTINUED)

### (a) Business segments (continued)

| 2018 | Construction RM | Contents and value added services RM | Investment holding RM | Elimination RM | Consolidated RM |
|---|---|---|---|---|---|
| **RESULTS** | | | | | |
| Profit/(Loss) from operations | 4,683,954 | (6,256,348) | 30,220,942 | (30,770,236) | (2,121,688) |
| Share of results of an associate | | | | | (9,455) |
| Finance costs | | | | | (617) |
| Taxation | | | | | 165,083 |
| Loss for the year | | | | | (1,966,677) |
| **OTHER INFORMATION** | | | | | |
| Segment assets | 35,831,894 | 65,988,457 | 11,147,293 | (31,885,778) | 81,081,866 |
| Segment liabilities | 29,797,928 | 3,137,238 | 930,214 | (21,505,968) | 12,359,412 |
| Capital expenditure | 169,480 | 270,162 | – | – | 439,642 |
| Amount owing by/to subsidiary companies/ holding company written off | – | 2,347,246 | 1,989,150 | (4,336,396) | – |
| Depreciation of property, plant and equipment | 6,613 | 744,642 | 90,082 | – | 841,337 |
| Amortisation of intangible assets | – | 970,675 | – | – | 970,675 |
| Impairment loss on goodwill | – | 4,542,836 | – | – | 4,542,836 |
| Impairment loss on intangible asset | – | 4,268,659 | – | – | 4,268,659 |

### (b) Geographical segments

Revenue by geographical location of customers

| | Group 2019 RM | Group 2018 RM |
|---|---|---|
| Malaysia | **62,205,413** | 71,427,756 |
| Others * | **–** | 1,641,321 |
| | **62,205,413** | 73,069,077 |

* Others consists of Myanmar, Thailand and Philippines.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 28. SEGMENTAL INFORMATION (CONTINUED)

### (c) Information about major customers

The following are the major customers individually accounting for 10% or more of Group's revenue for current period and prior year:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Customer A | **8,248,584** | – |
| Customer B | **3,056,544** | 62,295,016 |
| Customer C | **36,112,067** | – |
| Customer D | **6,351,320** | – |
| | **53,768,515** | 62,295,016 |

## 29. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors capital using gearing ratio, which is total equity plus net debt. The Group's policy is to keep the lower gearing ratio. The Group includes within net debt, trade and other payables less cash and bank balances.

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Trade and other payables | **19,284,412** | 7,903,600 | **314,418** | 270,214 |
| Borrowings | **2,619,208** | 143,216 | **–** | – |
| Less: cash and cash equivalents | **(18,783,893)** | (43,491,251) | **(9,320,571)** | (34,061,941) |
| Net liquidity | **3,119,727** | (35,444,435) | **(9,006,153)** | (33,791,727) |
| Equity attributable to owners of the Company | **71,706,083** | 68,722,454 | **61,165,737** | 65,058,243 |
| Capital and net debt | **74,825,810** | 33,278,019 | **52,159,584** | 31,266,516 |
| Gearing ratio | **0.04** | N/A | **N/A** | N/A |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 30. FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments and their categories:

| | **Financial assets and liabilities at amortised cost RM** |
|---|---|
| **2019** | |
| **Group** | |
| **Financial assets** | |
| Trade receivables | 25,342,371 |
| Other receivables | 24,764,205 |
| Cash and cash equivalents | 18,783,893 |
| | **68,890,469** |
| **Financial liabilities** | |
| Trade payables | 17,094,611 |
| Other payables | 2,189,801 |
| Borrowings | 2,619,208 |
| | **21,903,620** |
| **Company** | |
| **Financial assets** | |
| Other receivables | 68,324 |
| Amount owing by subsidiary companies | 43,957,036 |
| Cash and cash equivalents | 9,320,571 |
| | **53,345,931** |
| **Financial liabilities** | |
| Other payables | **314,418** |

| | **Available for sale RM** | **Loans and receivables/ other financial liabilities RM** | **Total RM** |
|---|---|---|---|
| **2018** | | | |
| **Group** | | | |
| **Financial assets** | | | |
| Trade receivables | – | 10,312,925 | 10,312,925 |
| Other receivables | – | 10,681,822 | 10,681,822 |
| Other investments | 395,304 | – | 395,304 |
| Cash and cash equivalents | – | 43,491,251 | 43,491,251 |
| | 395,304 | 64,485,998 | 64,881,302 |
| **Financial liabilities** | | | |
| Trade payables | – | 5,936,768 | 5,936,768 |
| Other payables | – | 1,966,832 | 1,966,832 |
| Borrowings | – | 143,216 | 143,216 |
| | – | 8,046,816 | 8,046,816 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 30. FINANCIAL INSTRUMENTS (CONTINUED)

The table below provides an analysis of financial instruments and their categories (continued):

| | Available for sale RM | Loans and receivables/ other financial liabilities RM | Total RM |
|---|---|---|---|
| **2018** | | | |
| **Company** | | | |
| **Financial assets** | | | |
| Other receivables | – | 126,920 | 126,920 |
| Amount owing by subsidiary companies | – | 19,706,146 | 19,706,146 |
| Other investments | 395,304 | – | 395,304 |
| Cash and cash equivalents | – | 34,061,941 | 34,061,941 |
| | 395,304 | 53,895,007 | 54,290,311 |
| **Financial liabilities** | | | |
| Other payables | – | 270,214 | 270,214 |
| Amount owing to a subsidiary company | – | 660,000 | 660,000 |
| | – | 930,214 | 930,214 |

**Financial risk management objectives and policies**

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty of a financial asset fails to meet its contractual obligations. The Group's exposure to credit risk arises mainly from trade and other receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis through the review of receivables ageing. At reporting date, there were no significant concentrations of credit risk other than as disclosed in Note 8. The Group monitors the results of the related parties regularly to safeguard credit risk on balances from intercompany receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from trade and other payables and borrowings.

Cash flow forecasting is performed by monitoring the Group's liquidity requirements to ensure that it has sufficient liquidity to meet operational, financing repayments and other liabilities as they fall due.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 30. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted payments:

| | Carrying amount RM | Contractual interest rate % | Contractual cash flow RM | On demand or within one year RM | One to five years RM | More than five years RM |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| **Group** | | | | | | |
| Trade payables | 17,094,611 | – | 17,094,611 | 17,094,611 | – | – |
| Other payables | 2,189,801 | – | 2,189,801 | 2,189,801 | – | – |
| Term loans | 1,525,162 | BLR - 2.57 | 2,330,348 | 117,140 | 593,400 | 1,619,808 |
| Finance lease liabilities | 1,094,046 | 2.59 - 3.46 | 1,146,550 | 813,060 | 333,490 | – |
| | **21,903,620** | | **22,761,310** | **20,214,612** | **926,890** | **1,619,808** |
| **Company** | | | | | | |
| Other payables | **314,418** | **–** | **314,418** | **314,418** | **–** | **–** |
| **2018** | | | | | | |
| **Group** | | | | | | |
| Trade payables | 5,936,768 | – | 5,936,768 | 5,936,768 | – | – |
| Other payables | 1,966,832 | – | 1,966,832 | 1,966,832 | – | – |
| Finance lease liability | 143,216 | 2.59 | 154,021 | 52,812 | 101,209 | – |
| | 8,046,816 | | 8,057,621 | 7,956,412 | 101,209 | – |
| **Company** | | | | | | |
| Other payables | 270,214 | – | 270,214 | 270,214 | – | – |
| Amount owing to a subsidiary company | 660,000 | – | 660,000 | 660,000 | – | – |
| | 930,214 | | 930,214 | 930,214 | – | – |

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and cash flow and fair value interest rate risk that may affect the Group's financial position and cash flows.

(a) Foreign currency exchange risk

The Group and the Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily US Dollar. The Group and the Company monitors the foreign currency risks on an ongoing basis.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 30. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

(a) Foreign currency exchange risk (continued)

The net unhedged financial assets and financial liabilities of the Group and the Company that are not denominated in their functional currencies are as follows:

| | Financial Assets Held in Non-Functional Currency RM |
|---|---|
| **2019** | |
| Trade receivables - US Dollar | – |
| **2018** | |
| Trade receivables - US Dollar | 30,497 |

The following table shows the sensitivity of the Group's and the Company's equity and profit net of tax to a reasonably possible change in the US Dollar exchange rates against the functional currency of the Company, with all other variables remain constant.

| | | Group Profit net of tax | |
|---|---|---|---|
| | | **2019 RM** | **2018 RM** |
| USD/RM | -strengthened 5% | – | 1,159 |
| | -weakened 5% | – | (1,159) |

(b) Interest rate risk

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's and the Company's deposits and borrowings.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| **Fixed rate instruments** | | | | |
| Short-term deposits with licensed banks | **8,212,582** | 4,000 | **8,208,457** | – |
| Short-term deposits with licensed fund management companies | **8,811,340** | 36,947,099 | **1,008,280** | 34,000,271 |
| Finance lease liabilities | **(1,094,046)** | (143,216) | **–** | – |
| | **15,929,876** | 36,807,883 | **9,216,737** | 34,000,271 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**30. FINANCIAL INSTRUMENTS (CONTINUED)**

(b) Interest rate risk (continued)

Exposure to interest rate risk (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| **Floating rate instruments** | | | | |
| Term loans | **(1,525,162)** | – | **–** | – |

Since the Group's and the Company's fixed rate financial assets and liabilities are measured at amortised cost, possible changes in interest rates are not expected to have a significant impact on the Group's and the Company's profit or loss.

As at 31 May 2019, if interest rates of floating rate instruments had been lower by 25 basis points ("bp") with all other variables held constant, this will result in post-tax increases of the Group of RM2,898 (2018: RM Nil) in profit or loss.

Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of long term borrowings carried on the statement of financial position reasonably approximate fair value as it is a floating rate instrument that is re-priced to market interest rates on or near the reporting date.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table analyses the fair value hierarchy for financial instruments carried at fair value in the statement of financial position:

| | **2019 Level 1 Fair Value RM** | **2018 Level 1 Fair Value RM** |
|---|---|---|
| **Group** | | |
| **Financial assets** | | |
| Available for sale | **–** | 395,304 |
| **Company** | | |
| **Financial assets** | | |
| Available for sale | **–** | 395,304 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 31. CONTINGENT LIABILITIES

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Corporate guarantees in favour of customers of its wholly-owned subsidiary, E&J Builders Sdn. Bhd. for performance obligation of a project awarded to the subsidiary. | **10,533,000** | – |

| | Company | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Corporate guarantees in favour of customers of its wholly-owned subsidiary, E&J Builders Sdn. Bhd. for performance obligation of a project awarded to the subsidiary. | **10,533,000** | – |
| Corporate guarantee in favour of licensed banks for repayment of the following: | | |
| - fixed rate industrial hire purchase facilities granted to its wholly owned subsidiary, E&J Builders Sdn. Bhd. to part finance the purchase of machineries and equipment. | **8,000,000** | – |
| - industrial hire purchase facility granted to its wholly owned subsidiary, E&J Builders Sdn. Bhd. to part finance the purchase of one unit of tower crane. | **520,000** | – |
| - trade finance facility granted to its wholly owned subsidiary, E&J Builders Sdn. Bhd. to finance certified amount of the invoice/payment certificate/progress claim for contracts certified by the customer. | **25,000,000** | – |
| - hire purchase facilities granted to its subsidiary, Gabungan EJB Construkt Sdn. Bhd. to part finance the purchase of one unit of passenger hoist. | **217,534** | – |
| | **44,270,534** | – |

## 32. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company 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 Company 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 include all the Directors of the Group, and certain members of senior management of the Group.

(a) The significant related party transactions of the Company, other than key management personnel compensation, are as follows:

| | Company | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Dividend income from subsidiary companies | **–** | 31,000,000 |

(b) The remuneration of directors and other member of key management during the financial year is disclosed in Note 23 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 33. MATERIAL JOINT OPERATION

The Group is a 50% partner in a joint arrangement with Rexallent Sdn. Bhd. for the sole purpose of undertaking and completing the remaining of construction of the proposed development identified as "H2O" for a contract sum of RM180,000,000.

The Group has classified it as a joint operation on the basis that the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

## 34. SIGNIFICANT EVENTS

On 30 April 2019, the Company announced the proposal to undertake the following:

(a) acquisition of 750,000 ordinary shares of Rexallent Construction Sdn. Bhd., representing 100% equity interest of Rexallent Construction Sdn. Bhd. from Kilau Makmur Sdn. Bhd. for a purchase consideration of RM45,000,000, to be satisfied via a combination of cash payment of RM20,000,000 and the issuance of 102,040,816 new ordinary shares in the Company at the issue price of RM0.245 per share; and

(b) private placement of 48,812,850, representing 30% of the total issued shares at the subscription price of RM0.245 per placement share. On 29 August 2019, the issuance of share capital pursuant to private placement was completed as disclosed in Note 35 to the financial statements.

## 35. SUBSEQUENT EVENTS

(i) Disposal of subsidiary companies

On 29 July 2019, the Company entered into a Share Sale Agreement with Dato' Lim Thean Keong for the disposals of three wholly-owned subsidiaries as below for a total cash consideration of RM12,000,000:

(a) the entire equity interest in M-Mode Mobile Sdn. Bhd., comprising 250,000 ordinary shares;
(b) the entire equity interest in Mobile Multimedia Sdn. Bhd., comprising 100,000 ordinary shares; and
(c) the entire equity interest in Tameko Sdn. Bhd., comprising 2 ordinary shares.

M-Mode Mobile Sdn. Bhd., Mobile Multimedia Sdn. Bhd. and Tameko Sdn. Bhd. shall cease to be wholly-owned subsidiaries of the Company on completion of the sale and purchase of the sale of shares pursuant to the terms and conditions in the Share Sale Agreement.

(ii) Disposal of associate company

On 13 June 2019, the Company had entered into a Share Sale Agreement with Dato' Tung Wai Fun for the disposal of an associate company. The equity interest in Say Me Commerce Sdn. Bhd., comprising of 310,000 ordinary shares is disposed for a cash consideration of RM6,700.

(iii) Issuance of share capital pursuant to private placement

On 29 August 2019, the issued and fully paid-up capital of the Company increased from 162,709,500 ordinary shares to 211,522,350 ordinary shares through private placement of 48,812,850 ordinary shares at the subscription price of RM0.245.

The newly issued ordinary shares ranked pari passu in all respect with the existing shares.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 36. EFFECT OF ADOPTION OF MFRS 9

As disclosed in Note 2.1, the Group and the Company have adopted MFRS 9, which resulted in changes in accounting policies and adjustments to the financial position as follows:

Classification and measurement of financial assets

Until 31 May 2018, financial assets were classified in the following categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("L&R"), held-to-maturity ("HTM"), and available-for-sale ("AFS") financial assets. Note 2.4(g)(A)(i) and (ii) sets out the details of accounting policies for classification and measurement of financial assets under MFRS 139.

From 1 June 2018, the new accounting policies for classification and measurement of financial assets under MFRS 9 are set out in Note 2.4(g)(B)(i) and (ii).

Classification of the Company's financial assets consisting of trade and other receivables and cash and cash equivalents that have previously been classified as loans and receivables based on MFRS 139 are now classified as and continue to be measured at amortised cost after adoption of MFRS 9.

Impairment

Until 31 May 2018, impairment of loan and receivables and AFS financial assets is assessed based on the incurred loss model. Note 2.4(g)(A)(iii) set out the details of accounting policies for impairment of financial assets under MFRS 139.

From 1 June 2018, the Group and the Company apply the expected credit loss model to determine impairment on investment in debt instruments that are measured at amortised cost and at fair value through other comprehensive income ("FVOCI"). The new accounting policies for impairment under MFRS 9 are set out in Note 2.4(g)(B)(iv).

There is no significant impact arising from this change in accounting policy.

## 37. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 May 2019 were authorised for issue in accordance with a resolution of the Board of Directors dated 18 September 2019.

# LIST OF PROPERTIES
## AT 31 MAY 2019

| No | Proprietor | Title/ Location | Description/ Existing Use | Tenure | Approximate Age of Offices | Built-Up Area (sq. ft.) | Net Book Value (RM) | Date of Acquisition |
|---|---|---|---|---|---|---|---|---|
| 1 | M-Mode Mobile Sdn Bhd | Geran 37731/M1B/19/307, No. Petak 307, Tingkat 19, Bangunan M1 for Lot No. 144, Seksyen 44, Bandar Kuala Lumpur, Daerah Wilayah Persekutuan. | A Parcel of Office/ Office | Freehold | 25 Years | 5,435 | 1,551,787 | 9-Aug-2007 |
| 2 | M-Mode Mobile Sdn Bhd | Geran 37731/M1B/4/126, No. Petak 126, Tingkat 4, Bangunan M1B for Lot No. 144, Seksyen 44, Bandar Kuala Lumpur, Daerah Wilayah Persekutuan. | A Parcel of Office/ Office | Freehold | 25 Years | 2,422 | 1,045,617 | 17-Jun-2010 |
| 3 | Ecobuilt Holdings Berhad (Formerly known as M-Mode Berhad) | Geran 37731/M1B/13/260, No. Petak 260, Tingkat 13, Bangunan M1B for Lot No. 144, Seksyen 44, Bandar Kuala Lumpur, Daerah Wilayah Persekutuan. | A Parcel of Office/ Office | Freehold | 25 Years | 2,432 | 1,093,468 | 29-Jul-2011 |
| 4 | Tameko Sdn Bhd | Strata Title GM 1889/ M1/4/14, Lot No. 30996, No. Bangunan M1, No. Tingkat 4, No. Petak 14, Pekan Cheras, District of Hulu Langat and State of Negeri Selangor. Parcel No. 35-3-F | A Parcel of Office/ Office | Freehold | 21 Years | 783 | 62,300 | 13-Dec-1999 |
| 5 | E&J Builders Sdn Bhd | D-G-1I, Medan Connaught, No I, Jalan 3/l44A, 56000 Kuala Lumpur. Title: HS(D) I20458, PT 15682, Mukim Petaling, Daerah Kuala Lumpur & Negeri Wilayah Persekutuan Kuala Lumpur | A Parcel of Office/ Office | Freehold | 1 Year | 922 | 1,094,500 | 06-Jun-2018 |
| 6 | E&J Builders Sdn Bhd | D-1-1I, Medan Connaught, No I, Jalan 3/l44A, 56000 Kuala Lumpur. Title: HS(D) I 20458, PT 15682, Mukim Petaling, Daerah Kuala Lumpur & Negeri Wilayah Persekutuan Kuala Lumpur | A Parcel of Office/ Office | Freehold | 1 Year | 1109 | 696,500 | 06-Jun-2018 |

# SHAREHOLDING STATISTICS
## 10 SEPTEMBER 2019

### SHARE CAPITAL

| | |
|---|---|
| Issued and Paid-Up Share Capital | : RM29,484,406.25 comprising 211,522,350 Ordinary Shares |
| Class of Shares | : Ordinary Shares |
| Voting Rights | : One Vote per Ordinary Share |

### ANALYSIS OF SHAREHOLDERS BY RANGE GROUP

| Size of Holdings | No. of Holders | % | No.of Shares | % |
|---|---|---|---|---|
| 1 – 99 | 49 | 2.314 | 2,257 | 0.001 |
| 100 – 1,000 | 154 | 7.274 | 61,620 | 0.029 |
| 1,001 – 10,000 | 833 | 39.348 | 5,421,811 | 2.563 |
| 10,001 – 100,000 | 902 | 42.607 | 32,652,862 | 15.437 |
| 100,001 – 10,576,116 (*) | 175 | 8.266 | 117,680,600 | 55.635 |
| 10,576,116 And Above (**) | 4 | 0.188 | 55,703,200 | 26.335 |
| **Total** | 2,117 | 100.000 | 211,522,350 | 100.00 |

Remarks : * - Less than 5% of issued shares
** - 5% and above of issued shares

### SUBSTANTIAL SHAREHOLDERS
(As per Register of Substantial Shareholders' Shareholdings)

| | | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|---|
| No. | Name of Shareholders | No. of Shares | % | No. of Shares | % |
| 1. | Ecobuilt (M) Sdn Bhd | 18,194,400 | 8.602 | 0 | 0.000 |
| 2. | E&J Venture Sdn Bhd | 14,600,000 | 6.902 | 0 | 0.000 |
| 3. | Ong Chee Koen | 300,000 | 0.142 | 18,194,400 (a) | 8.602 |
| | | | | 14,600,000 (b) | 6.902 |
| | | | | 756,000 (c) | 0.357 |
| 4. | Yap Nam Fee | 0 | 0.000 | 18,194,400 | 8.602 |
| 5. | Siow Lee Fah | 756,000 | 0.357 | 18,194,400 | 8.602 |
| 6. | Tumpat Delima Sdn Bhd | 15,500,000 | 7.327 | 0 | 0 |
| 7. | LWY Holding Sdn Bhd | 11,008,800 | 5.204 | 0 | 0 |
| 8. | LEW Assets Sdn Bhd | 11,000,000 | 5.200 | 0 | 0 |
| 9. | Lim Kian Choon | 0 | 0.000 | 15,500,000 (d) | 7.327 |
| 10. | Lim Kean Hooi | 0 | 0.000 | 15,500,000 (d) | 7.327 |
| 11. | Lim Wen Yeh | 0 | 0.000 | 11,008,800 (e) | 5.204 |
| 12. | Lee Eng Wah | 0 | 0.000 | 11,000,000 (f) | 5.200 |

### DIRECTORS' SHAREHOLDING
(As per the Register of Directors' Shareholdings)

| | | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|---|
| No. | Name of Directors | No. of Shares | % | No. of Shares | % |
| 1. | Dato' Noordin Bin Sulaiman | 0 | 0.000 | 0 | 0.000 |
| 2. | Ong Chee Koen | 300,000 | 0.142 | 18,194,400 (a) | 8.602 |
| | | | | 14,600,000 (b) | 6.902 |
| | | | | 756,000 (c) | 0.357 |
| 3. | Yap Nam Fee | 0 | 0.000 | 18,194,400 | 8.602 |
| 4. | Nirmala A/P Doraisamy | 0 | 0.000 | 0 | 0.000 |
| 5. | Mohd Zaini Bin Noordin | 0 | 0.000 | 0 | 0.000 |
| 6. | Wong Wen Miin | 0 | 0.000 | 0 | 0.000 |

# SHAREHOLDING STATISTICS (CONTINUED)

Notes:
(a) Deemed Interest through the shares held by Ecobuilt (M) Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.
(b) Deemed Interest through the shares held by E&J Venture Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.
(c) Deemed Interest through the shares held by spouse, Siow Lee Fah pursuant to Section 8 of the Companies Act, 2016.
(d) Deemed Interest through the shares held by Tumpat Delima Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.
(e) Deemed Interest through the shares held by LWY Holding Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.
(f) Deemed Interest through the shares held by LEW Assets Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

**THIRTY LARGEST SHAREHOLDERS**

| No. | Name of Investors | No. of Shares | % |
|---|---|---|---|
| 1. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Ecobuilt (M) Sdn Bhd* | 18,194,400 | 8.601 |
| 2. | Tumpat Delima Sdn Bhd | 15,500,000 | 7.327 |
| 3. | LWY Holding Sdn Bhd | 11,008,800 | 5.204 |
| 4. | LEW Assets Sdn Bhd | 11,000,000 | 5.200 |
| 5. | E&J Venture Sdn Bhd | 9,763,000 | 4.615 |
| 6. | Indra Tropika Sdn Bhd | 8,400,000 | 3.971 |
| 7. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Yeap Weng Hong* | 7,900,000 | 3.734 |
| 8. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Lim Soon Peng* | 7,100,000 | 3.356 |
| 9. | AMSEC Nominees (Tempatan) Sdn Bhd<br>*Exempt An For KGI Securities (Singapore) Pte.Ltd (66581 T CL)* | 5,353,600 | 2.530 |
| 10. | Lim A Heng @ Lim Kok Cheong | 5,010,200 | 2.368 |
| 11. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For E&J Venture Sdn Bhd* | 4,837,000 | 2.286 |
| 12. | Maybank Securities Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Hew Yoon Hsia* | 4,532,600 | 2.142 |
| 13. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Ang Lin Chu* | 4,474,900 | 2.115 |
| 14. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Ang Lin Chu* | 2,950,000 | 1.394 |
| 15. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Ong Choo Meng* | 2,912,850 | 1.377 |
| 16. | AllianceGroup Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Kong Kok Choy (8092812)* | 2,580,000 | 1.219 |
| 17. | Chua Shok Tim @ Chua Siok Hoon | 2,430,000 | 1.148 |
| 18. | Tung Wai Fun | 2,052,000 | 0.970 |
| 19. | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Chan Kok Keong (Bdr Utama-CL)* | 1,314,600 | 0.621 |
| 20. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Liau Ooi Keng* | 1,137,000 | 0.537 |
| 21. | Teng Swee Hin | 1,117,300 | 0.528 |
| 22. | HLB Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Wong Siu Chung* | 1,035,200 | 0.489 |
| 23. | Lim Shen Maw | 1,000,000 | 0.472 |
| 24. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Alex Chan Yee Lup* | 947,600 | 0.447 |
| 25. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Solomon Tan Yiin Yuh* | 900,000 | 0.425 |
| 26. | Siow Lee Fah | 756,000 | 0.357 |
| 27. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Lim Soh Woon* | 730,000 | 0.345 |
| 28. | RHB Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Ooi Kim Sew* | 685,600 | 0.324 |
| 29. | Liew Sin Keat | 655,000 | 0.309 |
| 30. | Lim Bee Eng | 600,000 | 0.283 |

# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fifteenth Annual General Meeting of the Company will be held at Cheras 1 Meeting Room, UG Floor, Silka Cheras Hotel Kuala Lumpur, KM10, Jalan Cheras, 56000 Kuala Lumpur on Friday, 8 November 2019 at 10.00 a.m. to transact the following businesses:-

**AGENDA**

**Ordinary Business**

1. To receive the Audited Financial Statements for the financial year ended 31 May 2019 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1 on Ordinary Business)**

2. To re-elect Dato' Noordin Bin Sulaiman who retires pursuant to Article 132 of the Company's Articles of Association. **(Resolution 1)**

3. To re-elect Wong Wen Miin who retires pursuant to Article 132 of the Company's Articles of Association. **(Resolution 2)**

4. To approve the payment of Directors' fees of up to RM144,000 for the financial year ending 31 May 2020. **(Resolution 3)**

5. To approve the payment of Directors' benefits of up to RM8,000 for the period from 8 November 2019 until the next Annual General Meeting of the Company. **(Resolution 4)**

6. To re-appoint Messrs Morison Anuarul Azizan Chew as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

**Special Business**

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

7. **ORDINARY RESOLUTION**
   **Authority To Allot And Issue Shares** **(Resolution 6)**

   "THAT subject always to the Companies Act, 2016 ("the Act"), the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to allot shares in the Company from time to time at such price, upon such terms and conditions, and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued on the Bursa Securities AND FURTHER THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING (CONTINUED)

8. **SPECIAL RESOLUTION**
**Proposed Alteration of the Existing Memorandum and Articles of Association by replacing with a New Constitution ("Proposed Alteration")** **(Resolution 7)**

"THAT the existing Memorandum and Articles of Association of the Company be altered by replacing with a new Constitution as set out in the Appendix I with effect from the date of passing this special resolution.

AND THAT the Directors and/or Secretary of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities.

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board

**JOANNE TOH JOO ANN** [LS 0008574]
**SIA EE CHIN [MAICSA** 7062413]
Company Secretaries
Kuala Lumpur
30 September 2019

***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) A member may appoint up to two (2) proxies to attend on the same occasion.*

*(iii) Where a member is a authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), 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.*

*(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*

*(v) If more than one (1) proxy is appointed, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.*

# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING (CONTINUED)

*(vi) 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.*

*(vii) A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.*

*(viii) The Depositors whose name appear in the Record of Depositors as at 1 November 2019 shall be eligible to attend, vote and speak at the meeting or appoint proxies to attend, vote and speak on their behalf.*

*(ix) The Form of Proxy must be deposited at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.*

## EXPLANATORY NOTE ON ORDINARY BUSINESS

1. *Audited Financial Statements For The Financial Year Ended 31 May 2019*

The item is meant for discussion only as the provision of Section 340(1) Act, does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

2. *Re-election of Directors*

Dato' Noordin Bin Sulaiman and Wong Wen Miin are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the Annual General Meeting.

Mohd Zaini Bin Noordin who is retiring pursuant to Article 127 of the Company's Articles of Association as Director of the Company at the forthcoming Fifteenth Annual General Meeting, has indicated to the Company that he would not be seeking re-election at the Fifteenth Annual General Meeting. Therefore, Mohd Zaini Bin Noordin shall retire as Director at the conclusion of the Fifteenth Annual General Meeting.

3. *Payment of Directors' Fees and Benefits*

Pursuant to Section 230(1) of the Act, the fees of the directors and any benefits payable to the directors shall be approved at a general meeting.

The Proposed Resolution 3 is to facilitate the payment of Directors' fees on a current financial year basis, calculated based on the current board size. In the event the Directors' fees proposed are insufficient (due to enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

The Proposed Resolution 4 is benefits such as meeting allowance payable to the Directors. The meeting allowance is calculated based on the current Board size and the number of scheduled Board and Committee meetings for the period from 8 November 2019 up to next Annual General Meeting. In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting to meet the shortfall.

# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING (CONTINUED)

**EXPLANATORY NOTES ON SPECIAL BUSINESS**

1. *Ordinary Resolution :* ***Authority to Directors to Allot and Issue Shares***

   The Ordinary Resolution proposed under Resolution 6 is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised.

   The Ordinary Resolution proposed under Resolution 6, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s), by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed 10% of the total number of issued shares of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

2. *Special Resolution :* ***Proposed Alteration***

   This proposed Special Resolution, if passed, will enable the Company to alter its existing Memorandum and Articles of Association by replacing with a New Constitution which is drafted in accordance with the relevant provisions of the Act, relevant amendments of Chapter 7 and other Chapters of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other provisions of laws and regulations that are applicable to the Company.

   For further information on the Proposed Alteration, please refer to Appendix I on the proposed new Constitution of the Company, which is circulated together with the Notice of Fifteenth Annual General Meeting and the Annual Report 2019.

**EcoBuilt Holdings Bhd** (635759-U)
*(Formerly known as M-MODE BERHAD)*
(Incorporated in Malaysia)

# FORM OF PROXY

| CDS Account No. | |
|---|---|
| No. of shares held: | |

* I/We,_______________________________________________Tel:_______________
[FULL NAME IN BLOCK, NRIC/COMPANY NO.]

of______________________________________________________________
(FULL ADDRESS)

being member(s) of **ECOBUILT HOLDINGS BERHAD (FORMERLY KNOWN AS M-MODE BERHAD)** (Company No. 635759 U), hereby appoint:-

| Full Name *(in Capital Letters)* | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and / or (delete as appropriate)

| Full Name *(in Capital Letters)* | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

or failing him/her, the Chairman of the meeting as my/our proxy to attend, participate, speak and vote for me/us and on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at Cheras 1 Meeting Room, UG Floor, Silka Cheras Hotel Kuala Lumpur, KM10, Jalan Cheras, 56000 Kuala Lumpur on Friday, 8 November 2019 at 10.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

| | RESOLUTION | FOR | AGAINST |
|---|---|---|---|
| | **Ordinary Resolution - Ordinary Business** | | |
| 1. | Re-election of Dato' Noordin Bin Sulaiman. | | |
| 2. | Re-election of Wong Wen Miin. | | |
| 3. | Payment of Directors' fees for the financial year ending 31 May 2020. | | |
| 4. | Payment of Directors' benefits from 8 November 2019 until the next Annual General Meeting of the Company. | | |
| 5. | Re-appointment of Messrs Morison Anuarul Azizan Chew as Auditors of the Company and authorise the Directors to fix their remuneration. | | |
| | **Ordinary Resolution - Special Business** | | |
| 6. | Authority to the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016. | | |
| | **Special Resolution** | | |
| 7. | Proposed Alteration of the Existing Memorandum and Articles of Association by replacing with a New Constitution. | | |

* (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/ Common Seal of Shareholder (s)
Contact Details:

Dated this _____ day of ____________ 2019

* Delete if not applicable

Fold here for sealing

**NOTES:-**

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Affix
Stamp
Here

The Company Secretaries
**EcoBuilt Holdings Bhd** (635759-U)
*(Formerly known as M-MODE BERHAD)*
Unit 30-01, Level 30, Tower A, Vertical
Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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www.eco-built.com.my

ECOBUILT
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