M-MODE BERHAD

(Company No.635759-U)

ANNUAL REPORT 2018

Evolving And Transforming

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ong Chee Koen
Executive Director/Chief Executive Officer

Ir. Yap Nam Fee
Executive Director

Thong Kooi Pin
Non-Independent Non-Executive Director

Abdul Razak Bin Dato' Haji Ipap
Independent Non-Executive Director

Mohd Zaini Bin Noordin
Independent Non-Executive Director

Nirmala A/P Doraisamy
Independent Non-Executive Director

AUDIT COMMITTEE

Abdul Razak Bin Dato' Haji Ipap
Chairman/Independent Non-Executive Director

Thong Kooi Pin
Non-Independent Non-Executive Director

Nirmala A/P Doraisamy
Independent Non-Executive Director

NOMINATION COMMITTEE

Abdul Razak Bin Dato' Haji Ipap
Chairman/Independent Non-Executive Director

Thong Kooi Pin
Non-Independent Non-Executive Director

Mohd Zaini Bin Noordin
Independent Non-Executive Director

REMUNERATION COMMITTEE

Thong Kooi Pin
Chairman/Non-Independent Non-Executive Director

Abdul Razak Bin Dato' Haji Ipap
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

STOCK EXCHANGE LISTING

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

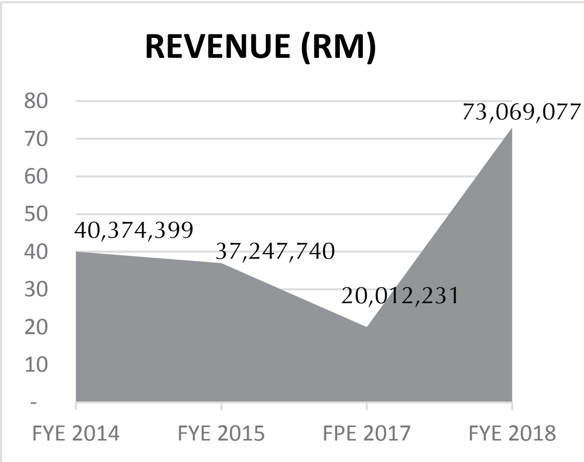
AUDITOR

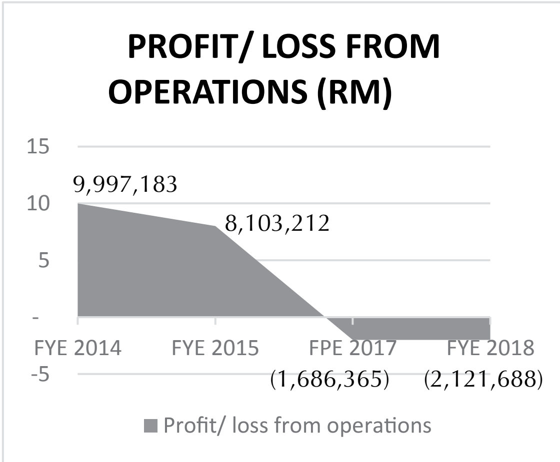
Morison Anuarul Azizan Chew
18, Jalan Pinggir 1/64, Jalan Kolam Air
Off Jalan Sultan Azlan Shah (Jalan Ipoh)
51200 Kuala Lumpur, Malaysia
Tel : 03-4048 2888

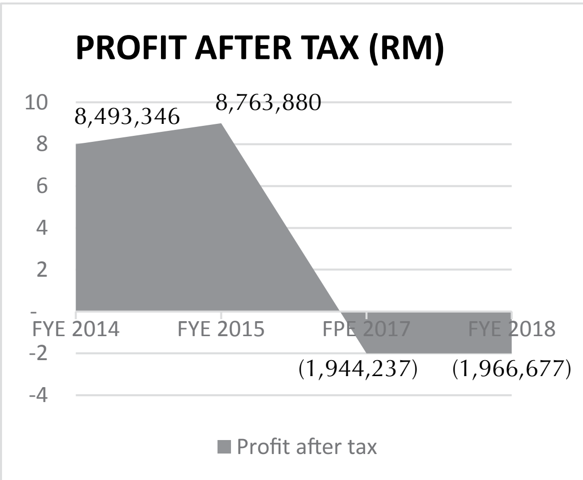
CORPORATE WEBSITE

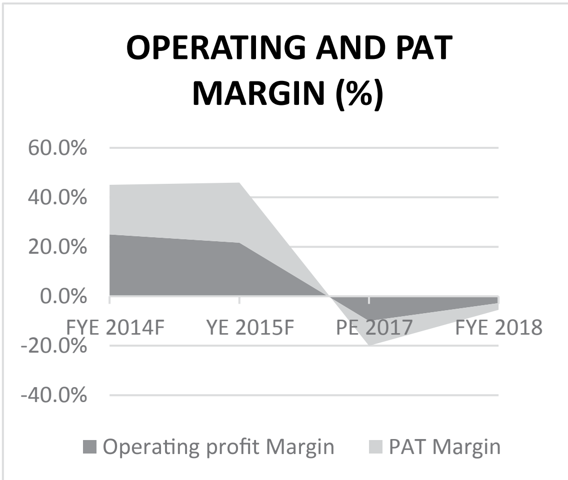
www.mmode.com.my

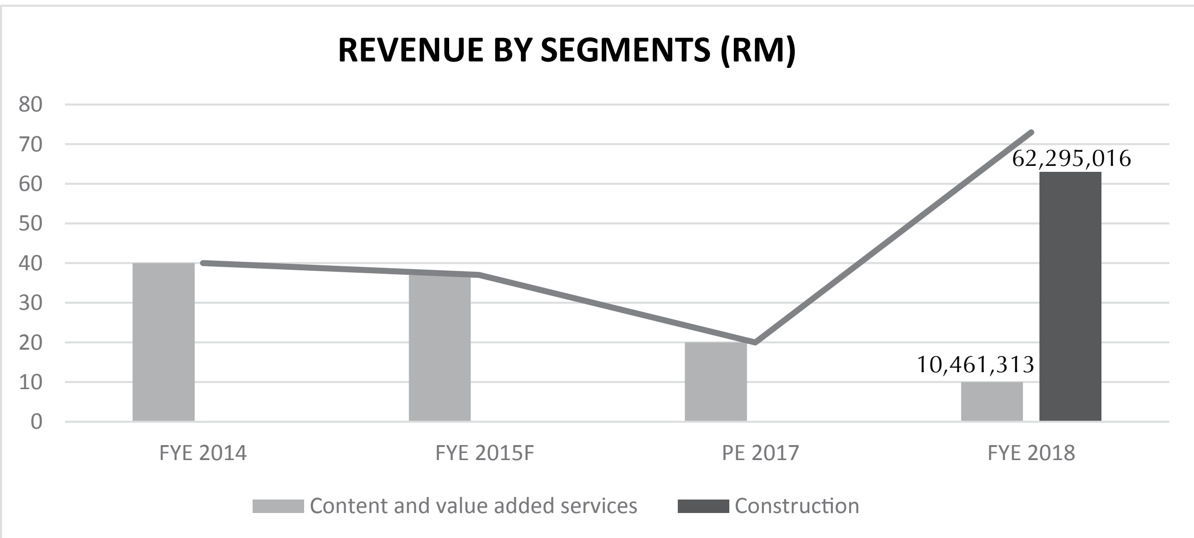
FINANCIAL HIGHLIGHTS











MANAGEMENT DISCUSSION AND ANALYSIS DISCLOSURES

OVERVIEW OF THE GROUP'S BUSINESS

Established since 2004, M-Mode Berhad ("M-Mode") is 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. During the financial year, the Group has diversified into the property construction sector through our wholly-owned subsidiary company, E&J Builders Sdn. Bhd. ("E&J"). We believe it is timely for us to diversify into the construction industry as the mobile contents industry is become increasingly saturated.

Moving forward, M-Mode will continue to boost our content and value-added business segment by developing more engaging, educational, entertaining and trending contents that will be marketed globally while our new construction business segment focuses mainly on infrastructure and building projects.

FINANCIAL PERFORMANCE REVIEW

	FYE 2018 RM'000	FPE 2017[1] RM'000	Variance RM'000	%
Statement of Comprehensive Income				
Revenue	73,069	20,012	53,057	>100.0
Purchases and other direct costs	(57,972)	(6,210)	(51,762)	(>100.0)
Other operating income	1,625	2,192	(567)	(25.9)
Other operating expenses	(12,409)	(6,706)	(5,703)	(85.0)
Loss from operations	(2,122)	(1,686)	(436)	(25.9)
Finance cost	(1)	(22)	21	95.5
Loss before tax	(2,132)	(1,723)	(409)	(23.7)

Note:
(1) Represents the financial result over a period of 17 months due to the change in financial year end.

	31 May 2018 RM'000	31 May 2017 RM'000	Variance RM'000	%
Statement of Financial Position				
Non-current assets	5,646	19,364	(13,718)	(70.8)
Current Assets	75,436	54,474	20,962	38.5
Total Liabilities	12,359	2,752	9,607	>100.0
Statement of Cash Flows				
Net cash flow (used in)/ generated from operating activities	(2,742)	692	(3,434)	(>100.0)
Net cash flow generated from/ (used in) investing activities	4,015	(2,893)	6,908	>100.0
Net cash flow used in financing activities	(4)	(2,415)	2,411	(82.2)
Cash and cash equivalents as at 31 May	43,491	42,197	1,294	3.1

Review on Statement of Comprehensive Income

The Group recorded a total revenue of RM73.1 million in FYE2018, exceeding the total revenue in FPE2017 of RM20.0 million by RM53.1 million. The significant increase in our revenue is mainly derived from our new construction business segment.

Revenue generated from construction business segment accounted for RM62.3 million or 85.2% of the Group's total revenue during the financial year. This is mainly derived from our joint venture agreement with Rexallent Construction Sdn. Bhd. to construct 3 blocks of 15-storey residential building, 1 block of 15-storey and a 1-storey club house located at Ara Damansara ("Project H2O") which is expected to be fully constructed by December 2018. As at FYE 2018, Project H2O is 91.2% completed, generating a total revenue of RM57.5 million for the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS DISCLOSURES (CONTINUED)

Review on Statement of Comprehensive Income (continued)

The Group is also constructing two (2) residential projects located at Damansara West with a combine contract value of approximately RM10.4 million. Both these projects are 28.4% and 78.4% completed, generating a total revenue of RM1.9 million and RM2.9 million respectively in FYE 2018.

Revenue generated from contents and value-added business segment has decreased by approximately 63.7% from RM28.8 million in FPE2017 to RM10.5 million in FYE2018 as 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 of the Group has increased significantly from RM6.2 million in FPE2017 to RM58.0 million in FYE2018. This was mainly due to the various direct cost incurred in our new construction business segment such as purchase of raw materials, architectural cost and sub-contractor cost.

Our other operating income has decreased by 25.9% from RM2.2 million in FPE2017 to RM1.6 million in FYE 2018 mainly due to lower interest income received.

The Group's total operating expenses amounted to RM12.4 million in FYE2018, representing an increase of 85.0% from RM6.7 million in FPE2017. The increase in our operating expenses was mainly due to impairment loss on goodwill amounted to RM4.5 million and impairment loss on development costs amounted to RM4.3 million.

Finance cost has decreased substantially by 95.5% to approximately RM1,000 in FYE2018 as our term loan facilities was fully settled in FPE2017.

While our new construction business segment is profitable, the Group recorded a loss before tax in FYE 2018 mainly due to one-off expenses such as the impairment loss on goodwill and development costs. Overall the Group recorded a loss before tax of RM2.1 million in FYE2018 as compared to RM1.7 million in FPE 2017.

Review on Statement of Financial Position

The Group's non-current assets decreased by 70.8% from RM19.3 million as at 31 May 2017 to RM5.6 million as at 31 May 2018. The decrease was mainly due to the impairment on development costs amounted to RM4.3 million and the impairment on goodwill amounted to RM4.5 million. In addition, the decreased in non-current assets is due to the disposal of debt instrument amounted to RM2.7 million.

Current assets amounted to RM75.4 million as at 31 May 2018, representing increase of 38.5% or RM20.9 million from RM54.5 million as at 31 May 2017. The increase was mainly due to higher trade and other receivables by RM8.6 million and RM11.2 million respectively. The increase in trade receivables were mainly due to collection from the customers, which yet to be received, while the increase in other receivables were mainly due to down payment to suppliers for the purchase of raw materials.

As at 31 May 2018, the Group's total liabilities increased by RM9.6 million from RM2.8 million as at 31 May 2017 to RM12.4 million as at 31 May 2018. The increase is mainly due to higher amount of trade and other payable and amount owing to customers on contracts which increased by RM5.1 million, RM1.5 million and RM3.0 million respectively.

Review on Statement of Cash Flow

The Group recorded a net cash used in operating activities of RM2.7 million as at 31 May 2018 as compared to a net cash flow generated from operating activities of RM0.7 million as at 31 May 2017. This was mainly due to the outstanding amount from the customers during the financial year end and down payment to suppliers for the purchase of raw materials which resulted a higher trade and other receivables of RM19.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS DISCLOSURES (CONTINUED)

Review on Statement of Cash Flow (continued)

The Group recorded a net cash flow generated from investing activities of RM4.0 million as at 31 May 2018 as compared to a net cash used in investing activities of RM2.9 million as at 31 May 2017 mainly due to the net cash received from disposal of quoted debt instrument amounted to RM2.7 million.

The Group recorded a net cash flow used in financing activities amounting to RM4.4 thousand as at 31 May 2018 as compared to a net cash used in financing activities of RM2.4 million as at 31 May 2017. The net cash flow used in financing activities mainly due to no repayment of term loans or dividend payout as at 31 May 2018.

CAPITAL EXPENDITURE

The Group does not have any authorized and contracted capital expenditure as at 31 May 2018.

RISK RELATING TO OUR BUSINESS

Competition and business diversification risks

M-Mode 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

M-Mode 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 into the construction industry after taking into consideration the competency and experience of Ong Chee Koen, being our Executive Director and Ir. Yap Nam Fee (also Executive Director), being the Director of E&J, 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.

E&J has employed additional personnel between June and September 2017 to assist in the operations of its construction business, namely a project director, a senior project manager, a quantity surveyor and an account manager. E&J will employ additional staff to manage and run the business as and when required.

The loss 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 between the key management personnel and our Group.

Nevertheless, this is mitigated by the fact that Ong Chee Koen is not only our Executive Director but also a substantial indirect shareholder in our Company, holding 20.155% through E&J Venture Sdn. Bhd. and Ecobuilt (M) Sdn. Bhd. as at September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS DISCLOSURES (CONTINUED)

Ever-changing consumers demand

According to an article by PricewaterHouse Coopers on 2017 telecommunication trend, players such as WhatsApp, WeChat, and Apple's iMessage already presently have more than 80 percent of all messaging traffic, and Skype alone accounts for more than a third of all international voice traffic minutes. As a result, many telecom carriers are facing significant decreases in their basic communication service revenues; drop-offs of as much as 30 percent in SMS messaging, 20 percent in international voice, and 15 percent in roaming. Combined with intense competition due to lagging industry consolidation, this pattern has led to steep declines in average revenue per user; at best, minimal revenue growth and tightening margins. In addition, there are also millions of digital applications offered by over-the-top (OTT) players on a daily basis.

Consequently, this has brought about a paradigm shift in consumer behavior to stick with digital apps and its usage. Hence, to remain competitive, the Group will reinforce its positioning on mobile internet-related contents and services through relevant R&D initiatives, adoption of cloud technology, continued investment in talent development and learning and widening the range of our content offerings and product services to cater to and attract more customers.

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

M-Mode Group did not declare any dividend for the year ended 31 May 2018 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

Although faced with uncertainties, the Malaysian economic landscape retained its steady growth rate as M-Mode Group records a revenue growth by RM53.0 million in FYE2018.

Our Group has been facing challenges in our content and value-added services as this industry is become increasingly saturated, combined with more intense competition among existing industry participants. Despite the challenging business environment, our Group is striving to improve its situation by implementing new marketing strategies and increasing research and development initiatives to develop more innovative products.

At the same time, E&J is actively tendering for other construction projects to increase the Group's construction order books. This would be implemented by way of leveraging on the experience and network of its construction key management personnel.

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

Ong Chee Koen, Male, aged 61, Malaysian citizen, is an Executive Director and Chief Executive Officer of M-Mode Berhad ("M-Mode" or "Company"). 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 39 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 M-Mode, he has no family relationship with any other Directors and/ or substantial shareholders of M-Mode. He has no conflict of interest with M-Mode 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.

Ir. Yap Nam Fee, Male, aged 49, Malaysian citizen, is an Executive Director of M-Mode. 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 M-Mode 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 23 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 M-Mode. He has no conflict of interest with M-Mode 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.

Thong Kooi Pin, Male, aged 45, Malaysian citizen. He was first appointed to the Board on 21 September 2005 as an Executive Director. He was subsequently re-designated to Non-Independent Non-Executive Director on 1 December 2008. He graduated with a professional degree in ACCA (Association of Chartered Certified Accountants) in 1998 and admitted as a member of the Malaysian Institute of Accountants as a Chartered Accountant in 2000. He further obtained his Master is degree in business administration majoring in finance in 2005 from Universiti Putra Malaysia, Malaysia. He is the Chairman of the Remuneration Committee and a member of the Audit Committee, Nomination Committee and Option Committee.

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

He has no family relationship with any other Directors and/ or substantial shareholders of M-Mode. He has no conflict of interest with M-Mode 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)

Abdul Razak Bin Dato' Hj. Ipap, Male, aged 58, Malaysian citizen, is an Independent Non-Executive Director of M-Mode. He was appointed to the Board on 19 June 2012. He graduated with Bachelor of Science in Agribusiness from Universiti Pertanian Malaysia (currently known as Universiti Putra Malaysia) in 1988. He started his career by joining Shell Chemical Sdn. Bhd. as Trainee Executive in Year 1986, responsible for sales development for the Company. In 1988, he joined United Engineers (M) Berhad as Business Development Executive where he was responsible for developing new sales and managing the existing project portfolio. From 1993 to 1995, he was attached to Sime Logistics Sdn. Bhd. as Manager in Operations and Marketing. In 1995, he joined Celcom (M) Sdn. Bhd. as Senior Manager (Logistics) responsible for the smooth flowing of the entire company's logistics and was subsequently promoted as the Vice President Logistics. He left Celcom in Year 2000 to start off his own career in IT business.

He is the Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee of the Company.

He sits on the Board of Ucrest Berhad ("formerly known as Palette Multimedia Berhad") since 1 June 2001. He is currently an Independent Non-Executive Director of Ucrest Berhad.

He has no family relationship with any other Directors and/ or substantial shareholders of M-Mode. He has no conflict of interest with M-Mode 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.

Nirmala A/P Doraisamy, Female, aged 52, Malaysian citizen, is an Independent Non-Executive Director of M-Mode. 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 is also a Certified Risk Professional (CRP) and Certified Credit Professional (CCP).

She has 28 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 Nirmala is also an Independent Non-Executive Director of Evergreen Fibreboard Berhad, Director of Credience Malaysia Sdn. Bhd and advisor of CN Associates (a registered audit firm).

She is also a member of the Audit Committee of the Company. She has no family relationship with any other Directors and/ or substantial shareholders of M-Mode. She has no conflict of interest with M-Mode 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)

Mohd Zaini bin Noordin, Male, aged 55, Malaysian citizen, is an Independent Non-Executive Director of M-Mode. 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 AccessPortal 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 also a member of the Nomination Committee of the Company. He has no family relationship with any other Directors and/ or substantial shareholders of M-Mode. He has no conflict of interest with M-Mode 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.

KEY SENIOR MANAGEMENT

Nga Li Fang, Female, aged 39, Malaysian citizen, she was appointed as Group Chief Operating Officer on 1 March 2015, was redesignated as Chief Operating Officer in Contents and Value Added Services segment of M-Mode 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 M-Mode for 10 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 does not hold any directorship in public listed companies.

She has no family relationship with any other Directors and/or substantial shareholders of M-Mode. She has no conflict of interest with M-Mode 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 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) fulfils such other requirements

The AC held a total of five (5) meetings during the financial year ended 31 May 2018 and details of the members and their attendance record are as follows:-

Name of Audit Committee Member	Meetings Attended
Abdul Razak Bin Dato' Hj. Ipap, *Chairman & Independent Non-Executive Director*	5/5
Thong Kooi Pin, *Non-Independent Non-Executive Director*	5/5
Nirmala A/P Dorasaimy, *Independent Non-Executive Director*	5/5

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

B. TERMS OF REFERENCE

The Terms of Reference of the AC is available for viewing at the Company's website at www.mmode.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 2018, 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 period ended 31 May 2017 and recommended the same to the Board for approval;
iii. Reviewed the financial performance of the Company and the Group;
iv. Reviewed the identified significant matters pursuant to Paragraph 15.12(1)(g)(ii) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") which took effect on 1 July 2016;
v. Reviewed the Group's compliance with the accounting standards and relevant regulatory requirements; and
vi. Reviewed Statement to Shareholders on the proposed renewal of authority for share buy-back.

(b) Oversight of External Audit

i. Assessed and evaluated the suitability and independence of External Auditors;
ii. Reviewed the Audit Review Memorandum for the financial period ended 31 May 2017 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;
iii. Reviewed the Audit Planning Memorandum for the financial year ended 31 May 2018, entailing mainly the overview of audit approach and areas of audit emphasis of the Group;
iv. Reviewed and evaluated the adequacy and effectiveness of the Group's accounting policies, procedures and system of internal controls;
v. Private discussion with the External Auditors without the presence of Management and the Executive Directors; and
vi. 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 Internal Audit Plan for the financial year ended 31 May 2018 presented by the outsourced Internal Auditors;
ii. Reviewed the reports from the Internal Auditors on Contract and Agreement, Payroll Functions and GST Accounting (re-visit) and assessed the Internal Auditors' findings and Management's responses and made the necessary recommendations to the Board for notation;
iii. Reviewed the adequacy of the scope and coverage of the Group's activities, functions, competency and resources of the Internal Audit functions;
iv. 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
v. 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;
ii. Reviewed the AC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2018; and
iii. Reviewed the proposed Terms of Reference of the AC and recommended to the Board for approval.

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 33 to 34 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is committed to ensure that a high standard of corporate governance is practised throughout M-Mode Berhad 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 2018 ("FYE2018") pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The detailed application by M-Mode Berhad 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. The CG Report is also available at www.mmode.com.my.

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.

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

- 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)

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 Group Managing Director 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, Remuneration Committee and Option Committee ("the Board Committees") and the Group Managing Director 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

The day-to-day management of M-Mode's business is delegated to the Group Managing Director. Amongst others, the responsibilities of the Group Managing Director shall include the following:-

- Developing the business direction and strategies of the Company;
- Providing the direction for the implementation of short and long term business plans;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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

1.1.2 Clear Functions of the Board and Management (continued)

- 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 M-Mode's business is under the supervision of the Group 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 Group Managing Director 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.

1.2 Executive Chairman

The Chairman, Dato' Lim Thean Keong ("Dato' Lim") was primarily responsible for matters pertaining to the Board and the overall conduct of the Group. The Chairman is committed to good corporate governance practices and has been leading the Board towards high performing culture.

Dato' Lim has been acting as facilitator at meetings of the Board to ensure the discussion takes place effectively and constructively, the opinion of all directors relevant to the subject under discussion are solicited and freely expressed, and that Board discussions lead to appropriate decision.

Dato' Lim has also from time to time communicated with the Executive Directors and senior management to ensure that the Company complies with all relevant laws and regulations. He has also been playing the role in promoting and leading the Company to apply the recommended best practices relevant to the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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

1.3 The positions of Chairman and Chief Executive Officer ("CEO") / Managing Director

Pursuant to the Malaysian Code on Corporate Governance, the positions of Chairman and CEO are held by different individuals.

In FYE 2018, Dato' Lim, the Managing Director is also the Chairman of the Company. The Board is comfortable that there is no undue risk involved since all major and significant matters were referred to the Board for consideration and approval. Moreover, the independent Directors are able to provide an element of objectivity, independent judgement and check and balance on the Board.

In FYE 2018, the Board comprises two (2) Executive Directors out of six (6) Board members. Ir. Yap Nam Fee was appointed as Executive Director of the Company on 20 July 2018. Dato' Lim had resigned as Director of the Company on 25 July 2018. Hence, his position as Chairman and Managing Director be ceased accordingly. The Nomination Committee would assess, deliberate and recommend the appointment of Chairman of the Board in due course.

1.4 Qualified and competent Company Secretaries

Directors have direct access to the advice and services of the Group's 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 Secretary also ensure the meeting minutes are properly documented and maintain a secured retrieval systems 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.

The Company Secretaries are suitably qualified and have attended relevant trainings and seminars to keep abreast with the statutory and regulatory requirements' updates.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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

1.5 Access to information and advice (continued)

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.mmode.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) Compliance with laws, rules and regulations;
(v) Trading on inside information;
(vi) Compliance with this Code and reporting of any illegal or unethical behaviour; and
(vii) 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.mmode.com.my.

3.2 Whistle-Blowing Policy

The Board recognised the important 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 Non-independent Non-executive Director.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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 good practices recommended by the MCCG as follows:

4.1 Board Balance

In FYE 2018, the Board has six (6) members comprising two (2) Executive Directors (including the Managing Director), three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

Ir. Yap Nam Fee was appointed as Executive Director of the Company on 20 July 2018 and Dato' Lim had resigned as Managing Director on 25 July 2018.

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 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. To ensure the Directors have the time to focus and fulfil their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships for more than five (5) public listed companies as prescribed in Paragraph 15.06 of the Listing Requirements.

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 set out in the section below.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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

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

Name of Directors	Total Meetings Attended	Percentage of Attendance
Dato' Lim Thean Keong	5/5	100%
Ong Chee Koen	4/5	80%
Thong Kooi Pin	5/5	100%
Abdul Razak Bin Dato' Haji Ipap	5/5	100%
Mohd Zaini Bin Noordin	5/5	100%
Nirmala A/P Doraisamy	5/5	100%

The Board meets on a quarterly basis, with 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 circular 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.

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.

The Nomination Committee assessed the training requirement of the Directors annually and each of the Director is advised to attend at least one (1) workshop or seminar during each financial year. Save for Ir Yap Nam Fee who was appointed as Director on 20 July 2018, will be attending MAP in November 2018, all Directors have successfully attended the MAP prescribed by the Bursa Malaysia Securities Berhad. Amongst the trainings/ seminars attended by the Directors during the financial year as listed below:

No.	Seminars / Conferences / Training Programmes Attended	Attendee(s)	Date Attended
1.	Fintech - Opportunities for the Financial Services Industry in Malaysia	• Nirmala A/P Doraisamy	11 July 2017
2.	Crypto Currency and Blockchain Technology	• Nirmala A/P Doraisamy	10 August 2017
3.	Asian Captive Conference 2017	• Nirmala A/P Doraisamy	16 & 17 August 2017
4.	Listing Requirement for the Leading Entrepreneur Accelerator Platform ("Leap") Market	• Dato' Lim Thean Keong	24 August 2017
5.	Latest updates on Tax Audit & Investigation - MIA	• Nirmala A/P Doraisamy	18 September 2017
6.	Driving Financial Integrity & Performance - Enhancing Financial Literacy	• Nirmala A/P Doraisamy	26 October 2017
7.	CFO Dialogue - Business as usual : Globalization, Digitalization Disruptions - MIA	• Nirmala A/P Doraisamy	31October 2017

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

4.4 Continuing Education Programs/Directors' Training (continued)

No.	Seminars / Conferences / Training Programmes Attended	Attendee(s)	Date Attended
8.	CG Breakfast Series - Integrating and Innovation Mindset with Effective Governance	• Nirmala A/P Doraisamy • Abdul Razak Bin Dato' Haji Ipap	07 November 2017
9.	13th Tricor Tax & Services 2017	• Ong Chee Koen	08 November 2017
10.	Leveraging Technology for Growth	• Nirmala A/P Doraisamy	14 November 2017
11.	MIA- SC workshop on Malaysian Code of Corporate Governance	• Nirmala A/P Doraisamy	17 November 2017
12.	Applied Corporate Finance - Real Companies - Real Data & Real Time	• Nirmala A/P Doraisamy	5 & 6 December 2017
13.	Bursa's Corporate Governance Guide - Moving from Aspiration to Actualization, MIA	• Nirmala A/P Doraisamy	12 March 2018
14.	SSM seminar on Change Your Mindset from Company's Act 1965 to Company's Act 2016	• Nirmala A/P Doraisamy	21 March 2018
15.	BIDA XChange – Aspirasi Unicorn	• Mohd Zaini Bin Noordin	27 March 2018
16.	MFRS - A Broad Overview and Business Implications, MIA	• Nirmala A/P Doraisamy	11 & 12 April 2018
17.	Discovering Your True Colors	• Thong Kooi Pin	23 May 2018

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.

4.6 Policy of Independent Director's Tenure

The Company does not have a policy which limits the tenure of its independent directors to 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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 on adequate number of Board members. The Board appoints its members through a formal and transparent selection process. 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.

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 Non-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 Non-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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

4.9 Gender Diversity

The Board is supportive of gender diversity recommendation made in the Code and the Board currently has one (1) female Director 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 FY2019.

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 assesses and recommends 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

4.11 Nomination Committee (continued)

The present members of the Nomination Committee are as follows:

Chairman : Abdul Razak Bin Dato' Haji Ipap (Chairman, Independent Non-Executive Director)
Member : Thong Kooi Pin (Non-Independent Non-Executive Director)
Member : Mohd Zaini Bin Noordin (Independent Non-Executive Director)

There had been two (2) Nomination Committee meetings held during the FYE2018. The details of the members' attendance at the meeting are set out as follows:-

Name of Directors	Total Meetings Attended	Percentage of Attendance
Abdul Razak Bin Dato' Haji Ipap	2/2	100%
Thong Kooi Pin	2/2	100%
Mohd Zaini Bin Noordin	2/2	100%

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

The summary of activities undertaken by the Nomination Committee during the FYE2018 included the following:

i) Assessed the effectiveness and required mix of skills and experience of the Board as a whole;
ii) Assess the independence of Independence Directors;
iii) Reviewed and recommend to the Board on the re-election of Directors;
iv) Reviewed and recommended the retention of Mohd Zaini Bin Noordin, the Independent Director, who had served for a cumulative term of more than nine (9) years, to continue in office as Independent Non-Executive Director; and
v) 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 Members' Self and Peer Evaluation

The above review and assessments had been conducted by the Nomination Committee and tabled to the Board for discussion on 20 July 2017. 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 had on 20 July 2017, assessed the training needs of the Directors to ensure that the Directors keep abreast of regulatory charges, other developments and broad business trend.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PART III – REMUNERATION

The Board acknowledges the level and composition of remuneration of directors and senior management taking 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.

6.1 Remuneration Policy

The Board believes that M-Mode should have a fair remuneration package to attract, retain and motivate directors. It has established a Remuneration Committee to review and ensure that the remuneration of its members fairly reflect the Board's and members' 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 M-Mode.

The Board would adopt Directors' Remuneration Policies and Procedures and Remuneration Policy for Employees in FY 2019.

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 : Thong Kooi Pin (Non-Independent Non-Executive Director)
Member : Abdul Razak Bin Dato' Haji Ipap (Independent Non-Executive Director)

The Remuneration Committee had convened one (1) meeting during the FYE2018. The details of the members' attendance at the meeting are set out as follows:

Name of Directors	Total Meetings Attended	Percentage of Attendance
Thong Kooi Pin	1/1	100%
Abdul Razak Bin Dato' Haji Ipap	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 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)

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 FYE 2018 are as follows:

Director	Group		Company	
	Fees RM	Salaries and other emoluments RM	Fees RM	Salaries and other emoluments RM
Dato' Lim Thean Keong (Resigned on 25 July 2018)	–	1,257,568	–	–
Ong Chee Koen	–	22,600	–	–
Thong Kooi Pin	24,000	–	24,000	–
Abdul Razak Bin Dato' Haji Ipap	24,000	–	24,000	–
Mohd Zaini Bin Noordin	12,000	–	12,000	–
Nirmala A/P Doraisamy	12,000	–	12,000	–

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

7.2 Remuneration of the Senior Management

The total remuneration received by the 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 2018 are as follows:

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

Details of total remuneration received by the senior management 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

8.1 Composition of Audit Committee (continued)

The present members of the Audit Committee are as follows:

Chairman : Abdul Razak Bin Dato' Haji Ipap (Chairman, Independent Non-Executive Director)
Member : Thong Kooi Pin (Non-Independent Non-Executive Director)
Member : Nirmala A/P Doraisamy (Independent Non-Executive Director)

The Audit Committee is chaired by an Independent Director who is distinct from the Chairman of the Board. Two of the Audit Committee members are members 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 Auditor. 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 being 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 and matters of concerns expressed by the Audit Committee are duly recorded by the Company Secretaries.

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 FYE2018.

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 2018 are as follows:

	Group RM	**Company RM**
Audit fees	88,165	20,000
Non-Audit fees	9,000	3,000

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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) and (b) 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

9.2 Adequacy and Effectiveness of the Risk Management and Internal Control (continued)

The information on the Group's internal control is further elaborated in pages 33 to 34 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's 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:

(i) Bursa Malaysia Securities Berhad

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

(ii) Company website

The Company's website, www.mmode.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 in compliance with the disclosure requirements as set out in Main Market Listing Requirements of Bursa Securities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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 Thirteenth (13th) Annual General Meeting ("AGM") and the Extraordinary General Meeting ("EGM") held on 23 November 2017, all resolutions put forth for shareholders' approval at the 13th AGM and EGM were voted by poll and an independent scrutineer was appointed to the validate the votes cast at the 13th AGM and EGM.

Pursuant to the Main Market 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 Fourteenth 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, Nomination Committee and Remuneration Committee) will be 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. M-Mode 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 had assessed and is 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 had assessed and is of the opinion that the electronic voting is not necessary and costly to the company in view 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 13 September 2018.

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 2018 announced on 25 July 2018 and the audited financial statements of the Group for the financial year ended 31 May 2018.

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 2018.

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.

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 M-Mode Berhad ("M-Mode") 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 2018, 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'S RESPONSIBILITY

The Board recognises the importance of maintaining a sound system of internal control a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, the Board has also received assurance from the Chief Executive Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

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 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.

Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design and operation of suitable internal controls to mitigate these risks identified.

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 AND INTERNAL CONTROL SYSTEM

1. 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.

2. INTERNAL CONTROL SYSTEM

i) 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.

ii) 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.

iii) Internal policies and procedures had been established for key business units within the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

2. INTERNAL CONTROL SYSTEM (CONTINUED)

iv) 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.

v) Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group.

vi) 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.

3. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional firm to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

Internal audits are carried out based on the internal audit plan approved by the Audit Committee. Opportunity for improvements to the system of internal control are identified and presented to the Audit Committee via internal audit reports.

During the financial year under review, two (2) cycles of internal audit were carried out for certain subsidiaries, the fees incurred for the internal audit function and risk management function for the financial year ended 31 May 2018 was RM8,130 and RM6,130 respectively.

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 2018 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.

CONCLUSION

The Board 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 key management team 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 2018.

The statement was approved by the Board on 13 September 2018.

CORPORATE SUSTAINABILITY STATEMENT

CORPORATE SOCIAL RESPONSIBILITIES

The Company seeks to commit towards good corporate social responsibility participation especially the areas on the environment, environment and social.

ENVIRONMENT

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

(a) Diligent reporting and promoting paperless transactions through electronic documents to reduce duplication of hard copy documents;
(b) Promoting the use of electronic payment system whereby payments are made directly to service providers accounts;
(c) Reducing environmental degradation through recycling waste paper and paper products;
(d) Recycling and reuse of swapped equipment; and
(e) Reducing energy consumption through proper maintenance and create awareness of reducing air-conditioning operating hours.

WORKPLACE

The Company believes employees are the critical assets and cornerstones for the Group's success. It is the Company's policy and priority to ensure continuous investment in people. As part of the human capital development, the employees are given opportunities to attend external training to sharpen the skills. The Company has also conducted various in-house training programme focusing on quality leadership, productivity and job related training as we believe we are only able to fulfill our strategic initiates with a highly skilled and dedicated work force that is willing to go the extra mile for our digital content users.

COMMUNITY

As part of our social responsibility, the Company is aspired to commit time and effort in educating and developing the next working generation. The M-Mode Internship Program is ideal for under-graduates to test their abilities on business challenges and to be exposed to real work responsibilities.

MULTI-STAKEHOLDER APPROACH

We value excellent working relationships with all relevant parties. Within the organisation, there must be clarity and consistency. We continuously reach out to our stakeholders in order to appreciate their concerns in relation to our operating environment.

Feedback and communication are important to us. We have a high regard for open and honest communication with all our stakeholders, comprising individuals, groups and communities we work and come in contact with.

Hence, we continue to engage stakeholders and listen to their feedback, needs and concerns on matters relevant to us in all areas that we operate in. To do this, we have adopted various communication and engagement strategies for all segments and groups.

CORPORATE SUSTAINABILITY STATEMENT (CONTINUED)

MULTI-STAKEHOLDER APPROACH (CONTINUED)

Such engagements are pivotal in understanding how various parties perceive our achievements and the areas we could improve on.

Stakeholder Groups	Engagement Channels	Engagement Areas
Board of Directors	• Board meeting • Annual General meeting • Company-organised events	• Corporate Governance • Company strategy
Shareholders	• Annual General Meeting • Financial statement	• Dividend • Return on investment • Financial performance • Share performance
Employees	• Induction training • Learning and development programmes • Employee performance appraisal • Corporate-organised events	• Occupational safety and healthy • Fair remuneration • Fair employment practices • Career development opportunities
Customers	• Face-to-face interaction • Feedback survey • Customer audits	• Equitable business operations
Supplier	• Evaluations / Re-evaluations • Face-to-face interaction	• Agreeable contracts • Terms of payments • Maintaining partnerships
Local Communities	• Corporate volunteering programmes (eg. Community events, knowledge-sharing initiatives and partnerships with non-governmental organisations)	• Support towards community development • Job creation for local communities • Undertaking business in a responsible manner

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 Company 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 their consistent use 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 the Company maintains adequate accounting records to safeguard the assets of he Company.

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 2018.

PRINCIPAL ACTIVITIES

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

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
(Loss)/Profit for the financial year	(1,966,677)	30,210,150

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial period. 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 during the financial year.

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
Thong Kooi Pin
Abdul Razak Bin Dato' Haji Ipap
Nirmala A/P Doraisamy
Mohd Zaini Bin Noordin
Yap Nam Fee (Appointed on 20 July 2018)
Dato' Lim Thean Keong (Resigned on 25 July 2018)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Number of ordinary shares			
	At 1.6.2017	**Acquired**	**Disposed**	**At 31.5.2018**
Interest in the Company:				
M-Mode Berhad				
Indirect interest				
Dato' Lim Thean Keong[1]	50,885,000	–	–	50,885,000
Ong Chee Koen[2]	9,763,000	200,000	(200,000)	9,763,000

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.*

By virtue of their interests in the shares of the Company, Dato' Lim Thean Keong and Ong Chee Koen are deemed to have interests in the shares of all its subsidiary companies to the extent the Company has an interest.

Thong Kooi Pin, Abdul Razak Bin Dato' Haji Ipap, Nirmala A/P Doraisamy and Mohd Zaini Bin Noordin who hold office at the end of the financial year do not have any interest in shares or debentures in the Company or its subsidiaries during the financial year under review.

DIRECTORS' BENEFITS

Since the end of the previous financial period, 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.

Neither during nor at the end of the financial year, was the Company or its subsidiary companies a party to any arrangement the object of which is to enable 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' 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.

DIRECTORS' REPORT (CONTINUED)

AUDITORS' REMUNERATION

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

OTHER STATUTORY INFORMATION

(a) 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.

(b) 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) any amount stated in the financial statements of the Group and of the Company misleading; or

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

(c) 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.

(d) 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.

(e) 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.

DIRECTORS' REPORT (CONTINUED)

SUBSEQUENT EVENT

Details of the subsequent event 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
13 September 2018

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 **M-MODE BERHAD**, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 46 to 93 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 at 31 May 2018 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
13 September 2018

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 **M-MODE BERHAD**, do solemnly and sincerely declare that the financial statements and information set out on pages 46 to 93 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 13 September 2018) **WOO SAU FAN**

Before me:

KAPT (B) JASNI BIN YUSOFF (W 465)
COMMISSIONER FOR OATHS
Lot 1.08, Tingkat 1, Bangunan KWSP
Jalan Raja Laut, 50350 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF M-MODE BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of M-Mode Berhad, which comprise the statements of financial position as at 31 May 2018, 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 46 to 93.

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 2018, 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 financial period. 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(vi), Note 2.4(m) and Note 19 to the financial statements)	
During the financial year, the Group commenced operations in construction activities and recognised a revenue amounting to RM62.3million. The Group recognises construction revenue and related cost in profit or loss by reference to the stage of completion. The stage of completion is determined by reference to the estimated physical proportion of work done. We focused on this area because there is inherent subjectivity in the judgements and estimation uncertainty involved in the estimation of the stage of completion which is dependent on the total estimated construction project costs and revenue.	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. 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. We have also checked the extent of actual costs incurred by agreeing a sample of costs incurred to the supporting documents. In addition, we 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 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 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
13 September 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MAY 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	**5,340,512**	6,007,088	**1,302,485**	1,392,567
Intangible assets	4	**305,061**	9,823,762	**–**	–
Investment in subsidiary companies	5	**–**	–	**10,201,240**	7,931,006
Investment in an associate	6	**–**	23,534	**180,262**	194,341
Other investments	7	**–**	3,503,842	**–**	766,104
Deferred tax assets	8	**–**	5,385	**–**	–
Total non-current assets		**5,645,573**	19,363,611	**11,683,987**	10,284,018
Current Assets					
Trade receivables	9	**10,312,925**	1,739,542	**–**	–
Amount owing by customers on contracts	10	**229,916**	–	**–**	–
Other receivables	11	**20,766,622**	9,560,058	**141,079**	270,340
Other investments	7	**395,304**	–	**395,304**	–
Amount owing by subsidiary companies	12	**–**	–	**19,706,146**	15,014,718
Tax recoverable		**240,275**	977,178	**–**	–
Cash and cash equivalents	13	**43,491,251**	42,197,164	**34,061,941**	9,713,321
Total current assets		**75,436,293**	54,473,942	**54,304,470**	24,998,379
TOTAL ASSETS		**81,081,866**	73,837,553	**65,988,457**	35,282,397
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	14	**17,525,258**	17,525,258	**17,525,258**	17,525,258
Reserves	15	**51,197,196**	53,559,851	**47,532,985**	17,693,635
TOTAL EQUITY		**68,722,454**	71,085,109	**65,058,243**	35,218,893
Non-Current Liabilities					
Finance lease liability	16	**96,476**	–	**–**	–
Deferred tax liabilities	8	**109,188**	1,434,435	**–**	–
Total non-current liabilities		**205,664**	1,434,435	**–**	–
Current Liabilities					
Trade payables	17	**5,936,768**	799,300	**–**	–
Amount owing to customers on contracts	10	**3,057,399**	–	**–**	–
Other payables	18	**1,966,832**	488,966	**270,214**	33,761
Amount owing to a subsidiary company	12	**–**	–	**660,000**	–
Tax payable		**1,146,009**	29,743	**–**	29,743
Finance lease liability	16	**46,740**	–	**–**	–
Total current liabilities		**12,153,748**	1,318,009	**930,214**	63,504
TOTAL LIABILITIES		**12,359,412**	2,752,444	**930,214**	63,504
TOTAL EQUITY AND LIABILITIES		**81,081,866**	73,837,553	**65,988,457**	35,282,397

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 2018

		Group		Company	
	Note	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM
Revenue	19	**73,069,077**	20,012,231	**31,000,000**	8,397,898
Other operating income	21	**1,625,293**	2,192,127	**2,547,590**	1,102,017
Purchases and other direct costs	20	**(57,972,464)**	(6,210,076)	**–**	–
Employee benefits expense	22	**(2,333,261)**	(5,300,670)	**–**	(1,298,499)
Amortisation of intangible assets		**(970,675)**	(1,686,442)	**–**	–
Depreciation of property, plant and equipment		**(841,337)**	(2,002,602)	**(90,082)**	(131,868)
Directors' remuneration	23	**(2,289,036)**	(1,984,731)	**(72,000)**	(1,453,528)
Other operating expenses	21	**(12,409,285)**	(6,706,202)	**(3,164,566)**	(3,570,038)
(Loss)/Profit from operations		**(2,121,688)**	(1,686,365)	**30,220,942**	3,045,982
Share of results of an associate		**(9,455)**	(14,665)	**–**	–
Finance cost	24	**(617)**	(22,417)	**–**	(2,557)
(Loss)/Profit before taxation		**(2,131,760)**	(1,723,447)	**30,220,942**	3,043,425
Taxation	25	**165,083**	(220,790)	**(10,792)**	(29,743)
(Loss)/Profit for the financial year/period		**(1,966,677)**	(1,944,237)	**30,210,150**	3,013,682
Other comprehensive expense:					
Items that may be reclassified subsequently to profit or loss					
- Exchange differences arising from translation of foreign operations		**(423)**	(95)	**–**	–
- Reclassification to profit or loss upon disposal on available for sale financial assets		**(24,755)**	–	**–**	–
- Fair value changes on available for sale financial assets		**(370,800)**	(25,584)	**(370,800)**	(50,339)
		(395,978)	(25,679)	**(370,800)**	(50,339)
Total comprehensive (expense)/income for the financial year/period		**(2,362,655)**	(1,969,916)	**29,839,350**	2,963,343
(Loss)/Profit attributable to owners of the Company		**(1,966,677)**	(1,944,237)	**30,210,150**	3,013,682
Total comprehensive (expense)/income attributable to the owners of the Company		**(2,362,655)**	(1,969,916)	**29,839,350**	2,963,343
Loss per share					
Basic and diluted (sen)	26	**(1.21)**	(1.19)		

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

		Attributable to owners of the Company					
		Non-distributable				Distributable	
Group	Note	Share Capital RM	Share Premium RM	Available for Sale Reserve RM	Translation Reserve RM	Retained Profits RM	Total RM
31.5.2017							
At 1 January 2016		16,270,950	1,254,308	–	–	56,506,024	74,031,282
Loss for the financial period		–	–	–	–	(1,944,237)	(1,944,237)
Other comprehensive expense:							-
- Exchange differences arising from translation of foreign operations		–	–	–	(95)	–	(95)
- Fair value changes of available for sale financial assets		–	–	(25,584)	–	–	(25,584)
Total comprehensive expense for the financial period		–	–	(25,584)	(95)	(1,944,237)	(1,969,916)
Dividend	27	–	–	–	–	(976,257)	(976,257)
Transition to no-par value regime	14	1,254,308	(1,254,308)	–	–	–	–
At 31 May 2017		17,525,258	–	(25,584)	(95)	53,585,530	71,085,109
31.5.2018							
At 1 June 2017		17,525,258	–	(25,584)	(95)	53,585,530	71,085,109
Loss for the financial year		–	–	–	–	(1,966,677)	(1,966,677)
Other comprehensive expense:							
- Exchange differences arising from translation of foreign operations		–	–	–	(423)	–	(423)
- Fair value changes of available for sale financial assets		–	–	(370,800)	–	–	(370,800)
- Reclassification to profit or loss upon disposal on available for sale financial assets		–	–	(24,755)	–	–	24,755
Total comprehensive expense for the financial year		–	–	(395,555)	(423)	(1,966,677)	(2,362,655)
At 31 May 2018		**17,525,258**	**–**	**(421,139)**	**(518)**	**51,618,853**	**68,722,454**

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

		Attributable to owners of the Company				
		Non-distributable			Distributable	
Company	Note	Share Capital RM	Share Premium RM	Available for Sale Reserve RM	Retained Profits RM	Total RM
31.5.2017						
At 1 January 2016		16,270,950	1,254,308	–	15,706,549	33,231,807
Profit for the financial period		–	–	–	3,013,682	3,013,682
Other comprehensive expense:						
- Fair value changes of available for sale financial assets		–	–	(50,339)	–	(50,339)
Total comprehensive income for the financial period		–	–	(50,339)	3,013,682	2,963,343
Dividend	27	–	–	–	(976,257)	(976,257)
Transition to no-par value regime	14	1,254,308	(1,254,308)	–	–	–
At 31 May 2017		17,525,258	–	(50,339)	17,743,974	35,218,893
31.5.2018						
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 expense:						
- 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**

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	Group		Company	
	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM
Cash Flows from Operating Activities				
(Loss)/Profit before taxation	**(2,131,760)**	(1,723,447)	**30,220,942**	3,043,425
Adjustments for:				
Amortisation of intangible assets	**970,675**	1,686,442	**–**	–
Amount owing by subsidiary companies written off	**–**	–	**2,347,832**	–
Bad debts written off	**–**	62,643	**–**	–
Deposits written off	**–**	478,108	**–**	–
Depreciation of property, plant and equipment	**841,337**	2,002,602	**90,082**	131,868
Property, plant and equipment written off	**–**	179,435	**–**	111,976
Impairment loss on investment in an associate	**14,079**	–	**14,079**	–
Impairment loss on investment in subsidiary companies	**–**	–	**229,764**	1,223,996
Impairment loss on goodwill	**4,542,836**	–	**–**	–
Impairment loss on property, plant and equipment	**–**	102,069	**–**	–
Impairment loss on intangible asset	**4,268,659**	187,758	**–**	–
Finance cost	**617**	22,417	**–**	2,557
Share of results of associate	**9,455**	14,665	**–**	–
Loss on disposal of subsidiary	**–**	125,639	**–**	1,559,998
(Gain)/Loss on disposal of property, plant and equipment	**(5,484)**	27,070	**–**	–
Gain on disposal of other investments	**(34,212)**	–	**–**	–
Gain on winding up of a subsidiary company	**–**	–	**–**	(12,498)
Dividend income	**(197,161)**	(42,120)	**(105,780)**	(42,120)
Interest income	**(1,356,525)**	(2,082,835)	**(452,660)**	(1,046,479)
Unrealised gain on foreign exchange	**(25,674)**	(199)	**–**	–
Waiver of amount due to a subsidiary company	**–**	–	**(1,989,150)**	–
Waiver of amount due to former directors	**–**	(43,969)	**–**	–
Operating profit before working capital changes	**6,896,842**	996,278	**30,355,109**	4,972,723
Changes in working capital:				
Trade receivables	**(8,573,383)**	13,203,902	**–**	–
Amount owing by/(to) customer on contracts	**2,827,483**	–	**–**	–
Other receivables	**(11,206,564)**	(9,290,717)	**129,261**	(112,934)
Amount owing by subsidiary companies	**–**	–	**(7,039,260)**	(10,915,149)
Trade payables	**5,137,468**	(2,442,702)	**–**	–
Other payables	**1,477,866**	(1,272,090)	**236,453**	(741,567)
Amount owing to subsidiary companies	**–**	–	**2,649,150**	(40,124)
	(10,337,130)	198,393	**(4,024,396)**	(11,809,774)
Cash (used in)/generated from operations	**(3,440,288)**	1,194,671	**26,330,713**	(6,837,051)
Tax refund	**1,046,774**	40,626	**–**	–
Tax paid	**(348,384)**	(543,455)	**(40,535)**	–
	698,390	(502,829)	**(40,535)**	–
Net cash (used in)/generated from operating activities	**(2,741,898)**	691,842	**26,290,178**	(6,837,051)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

		Group		Company	
	Note	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM
Cash Flows from Investing Activities					
Purchase of property, plant and equipment	28	**(29,173)**	(633,636)	–	(1,100)
Additions in intangible assets		**(263,469)**	(1,145,792)	–	–
Proceeds from disposal of property, plant and equipment		**6,896**	39,639	–	2,010
Net changes in other investments		**2,747,195**	(3,529,426)	–	(816,443)
Net cash outflow arising on acquisition of subsidiary companies		–	(47,178)	–	(50,002)
Net cash outflow arising on increased share capital in subsidiary companies		–	–	**(2,499,998)**	(5,999,996)
Net cash inflow arising on disposal of subsidiary company		–	298,367	–	1,540,000
Net cash inflow arising on winding up of subsidiary company		–	–	–	439,370
Dividend received		**197,161**	42,120	**105,780**	42,120
Interest received		**1,356,525**	2,082,835	**452,660**	1,046,479
Net cash used in investing activities		**4,015,135**	(2,893,071)	**(1,941,558)**	(3,797,562)
Cash Flows from Financing Activities					
Repayment of term loans		–	(1,416,537)	–	(514,649)
Repayment of finance lease	28	**(3,784)**	–	–	–
Interest paid		**(617)**	(22,417)	–	(2,557)
Dividend paid		–	(976,257)	–	(976,257)
Net cash used in financing activities		**(4,401)**	(2,415,211)	–	(1,493,463)
Net increase/(decrease) in cash and cash equivalents		**1,268,836**	(4,616,440)	**24,348,620**	(12,128,076)
Effect of exchange rate changes		**25,251**	104	–	–
Cash and cash equivalents at beginning of the financial year/period		**42,197,164**	46,813,500	**9,713,321**	21,841,397
Cash and cash equivalents at end of the financial year/period		**43,491,251**	42,197,164	**34,061,941**	9,713,321
Cash and cash equivalents at end of the financial year/period comprises:					
Short-term deposits with licensed banks		**4,000**	10,500,000	–	8,000,000
Short-term deposits with fund management companies		**36,947,099**	26,364,952	**34,000,271**	1,564,371
Cash and bank balances		**6,540,152**	5,332,212	**61,670**	148,950
		43,491,251	42,197,164	**34,061,941**	9,713,321

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.

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 No. B-19-7, Block B, 19th Floor, Unit 7, Megan Avenue II, No. 12, Jalan Yap Kwan Seng, 50450 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.2.

Amendments to accounting standards that are effective for the Group's and the Company's financial year beginning on or after 1 January 2017 are as follows:

- Amendments to MFRS 12, "Disclosure of Interest in Other Entities" (Annual Improvements 2014-2016 cycle)
- Amendments to MFRS 107, "Disclosure Initiative"
- Amendments to MFRS 112, "Recognition of Deferred Tax Assets for Unrealised Losses"

The above amendments to accounting standards effective during the financial year do not have any significant impact to the financial results and position of the Group and the Company.

Accounting standards, amendments to accounting standards and 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 2018

- 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)

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 2018 (continued)

- 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"

Annual periods beginning on/after 1 January 2019

- MFRS 16, "Leases"
- Amendments to MFRS 3, "Business Combinations" (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 9, "Prepayment Features with Negative Compensation"
- Amendments to MFRS 11, "Joint Arrangement" (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 112, "Income Taxes" (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 123, "Borrowing Costs" (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 128, "Long-term Interests in Associates and Joint Ventures"
- IC Interpretation 23, "Uncertainty over Income Tax Treatments"

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 above accounting standards, amendments to accounting standards and IC Interpretations which may have a significant impact to the financial statements are as follows:

Annual periods beginning on/after 1 January 2018

MFRS 9 Financial Instruments

This Standard addresses the classification, measurement and recognition of financial assets and financial liabilities.

Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The Standard introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements. If a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the balance sheet, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the balance sheet.

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 2018 (continued)

MFRS 9 Financial Instruments (continued)

The Standard introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, it requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model is forward-looking and it eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

In addition, the Standard introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. As a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers

The Standard provides clarity on revenue recognition especially on areas where existing requirements unintentionally created diversity in practice. Under MFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Extensive disclosures are required to provide greater insight into both revenue that has been recognised, and revenue that is expected to be recognised in the future from existing contracts.

2.2 Significant accounting estimates and judgements

Accounting estimates and judgements, 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.

(i) Impairment of goodwill

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

(ii) Impairment of software development costs

Software development costs comprise salaries of personnel involved in the development and design of products.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2.2 Significant accounting estimates and judgements (continued)

(ii) Impairment of software development costs (continued)

The Group reviews the carrying amounts of software development costs as at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value in use is estimated. Determining the value in use of software development costs requires the determination of future cash flows expected to be generated from the continued use, and ultimate disposition of such assets. Any resulting impairment loss could have a material adverse impact on the Group's financial position and results of operations.

Significant judgement in the estimation of the present value of future cash flows generated by the software development costs, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's assessment for impairment of software development costs.

(iii) Amortisation of intangible assets

The costs of intangible assets of the Group and of the Company are amortised on a straight-line basis over the useful life of the asset. Management estimates the useful life of the intangible assets as stated in Note 2.4(d). These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual value of this asset, therefore future amortisation charges could be revised.

(iv) Impairment of financial assets

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.

(v) 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.

(vi) Revenue recognition of construction contracts

The Company recognises construction and other project implementation contract revenue and expenses by using the stage of completion method. The stage of completion is measured by reference to completion of physical proportion of work to-date.

Significant judgement is required in determining the stage of completion of the contract, the extent of contract costs incurred, estimated total contract revenue and costs, as well as the recoverability of the contract amount. In making these judgements, the Company evaluates based on past experience and by relying on the work of specialists.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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.

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, 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.

When the Group's share of losses in an associate equal 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.

If the ownership interest in an associate is reduced but significant influence is retained, only a 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.

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.

(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 buildings	50 years
Furniture, fittings and equipment	5 - 10 years
Renovation	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.

(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.

Impairment losses are recognised in profit or loss unless it reverses a previous revaluation in which it is charged to the revaluation surplus.

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 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) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) 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.

(iii) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2.4 Summary of significant accounting policies (continued)

(d) Intangible assets (continued)

(iii) Development costs (continued)

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.

(e) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, deposits and other short term highly liquid investments that are readily convertible to cash and are subject to insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2.4 Summary of significant accounting policies (continued)

(f) Foreign currencies (continued)

(iii) Foreign operations (continued)

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.

(g) Financial assets

(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.

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)

(i) Classification (continued)

Available-for-sale financial assets

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.

(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

Gains and losses

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.

Impairment of financial assets

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.

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)

(iii) Subsequent measurement (continued)

Impairment of financial assets (continued)

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.

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 Company 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)

(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.

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

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

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.

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

The tax expense for the period comprises current and deferred 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.

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 income 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) Provision

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 recognition

Revenue comprises the fair value of the consideration received or receivable for rendering of services net of returns, duties, discounts and rebates. Revenue are recognised or accrued at the time of the rendering of services.

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 recognition (continued)

(i) Sales of services

Revenue from services is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided at the end of the reporting period.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's rights to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the physical proportion of work performed certified by external architects.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(n) Employee benefits

(i) Short term employee benefits

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the statement of financial position date.

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss in the period to which they relate. The Group's foreign subsidiary company makes contributions to its respective country's statutory pension scheme. Such contributions are recognised as an expense in the profit or loss as incurred.

(o) Share capital

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

(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.

(q) Construction contracts

Construction contracts are stated at cost plus the attributable profits less applicable progress billings and provision for foreseeable losses, if any.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activities at the reporting date. The stage of completion is determined reference to the completion of a physical proportion of work to-date.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount owing by customers on contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount owing to customers on contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold 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
2018									
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)

Group	Freehold buildings RM	Furniture, fittings and equipment RM	Renovation RM	Motor vehicles RM	Research and development equipment RM	Content library RM	Total RM
2017							
Cost							
At 1.1.2016	4,637,325	1,950,945	1,065,581	1,046,785	2,886,232	4,922,500	16,509,368
Additions	–	131,192	222,222	–	3,105	277,117	633,636
Disposal	–	(110,426)	–	–	(7,728)	–	(118,154)
Written off	–	(131,915)	(238,968)	–	–	–	(370,883)
Disposal of subsidiary	–	(181,406)	(144,864)	–	–	(140,118)	(466,388)
At 31.5.2017	4,637,325	1,658,390	903,971	1,046,785	2,881,609	5,059,499	16,187,579
Accumulated depreciation							
At 1.1.2016	567,270	714,131	294,408	698,733	1,882,780	4,333,552	8,490,874
Charge for the financial period	131,391	367,777	143,270	148,424	547,636	664,104	2,002,602
Disposal	–	(44,178)	–	–	(7,267)	–	(51,445)
Written off	–	(104,782)	(86,666)	–	–	–	(191,448)
Disposal of subsidiary	–	(20,217)	(11,826)	–	–	(38,049)	(70,092)
At 31.5.2017	698,661	912,731	339,186	847,157	2,423,149	4,959,607	10,180,491
Accumulated impairment loss							
At 1.1.2016	–	–	–	–	–	–	–
Impairment for the financial period	–	–	–	–	–	102,069	102,069
Disposal of subsidiary	–	–	–	–	–	(102,069)	(102,069)
At 31.5.2017	–	–	–	–	–	–	–
Carrying amount							
At 31.5.2017	3,938,664	745,659	564,785	199,628	458,460	99,892	6,007,088

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold buildings RM	Furniture, fittings and equipment RM	Renovation RM	Total RM
2018				
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**
2017				
Cost				
At 1.1.2016	1,288,960	298,818	477,038	2,064,816
Additions	–	1,100	–	1,100
Disposal	–	(3,560)	–	(3,560)
Written off	–	(10,399)	(162,633)	(173,032)
At 31.5.2017	1,288,960	285,959	314,405	1,889,324
Accumulated depreciation				
At 1.1.2016	107,413	110,380	209,702	427,495
Charge for the financial period	36,521	50,806	44,541	131,868
Disposal	–	(1,550)	–	(1,550)
Written off	–	(4,322)	(56,734)	(61,056)
At 31.5.2017	143,934	155,314	197,509	496,757
Carrying amount				
At 31.5.2017	1,145,026	130,645	116,896	1,392,567

Included in the property, plant and equipment of the Group is a motor vehicle acquired under finance lease arrangement with carrying amount of RM131,465 (2017: Nil).

4. INTANGIBLE ASSETS

Group	Goodwill on consolidation RM	Licence RM	Development costs RM	Total RM
2018				
Cost				
At 1.6.2017	4,542,836	320,375	10,918,462	15,781,673
Additions	–	–	263,469	263,469
At 31.5.2018	4,542,836	320,375	11,181,931	16,045,142

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INTANGIBLE ASSETS (CONTINUED)

Group	Goodwill on consolidation RM	Licence RM	Development costs RM	Total RM
2018				
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	4,542,836	–	4,268,659	8,811,495
At 31.5.2018	4,542,836	–	4,268,659	8,811,495
Carrying amount				
At 31.5.2018	**–**	**–**	**305,061**	**305,061**
2017				
Cost				
At 1.1.2016	4,582,792	121,318	10,146,480	14,850,590
Additions	84,564	199,057	946,735	1,230,356
Disposal of subsidiary	(124,520)	–	(198,753)	(323,273)
At 31.5.2017	4,542,836	320,375	10,894,462	15,757,673
Accumulated amortisation				
At 1.1.2016	–	23,374	4,235,090	4,258,464
Amortisation for the financial period	–	235,219	1,451,223	1,686,442
Disposal of subsidiary	–	–	(10,995)	(10,995)
At 31.5.2017	–	258,593	5,675,318	5,933,911
Accumulated impairment loss				
At 1.1.2016	–	–	–	–
Impairment for the financial period	–	–	187,758	187,758
Disposal of subsidiary	–	–	(187,758)	(187,758)
At 31.5.2017	–	–	–	–
Carrying amount				
At 31.5.2017	4,542,836	61,782	5,219,144	9,823,762

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

	Company 2018 RM	Company 2017 RM
Unquoted shares, at cost	**11,655,000**	9,155,002
Less: Impairment loss	**(1,453,760)**	(1,223,996)
	10,201,240	7,931,006

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

	Company 2018	Company 2017
At beginning of the financial year/period	**1,223,996**	–
Add: Impairment loss during the financial year/period	**229,764**	1,223,996
At end of the financial year/period	**1,453,760**	1,223,996

(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 2018 %	Effective ownership and voting interest 2017 %	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
M-Mode Media Sdn. Bhd.	Malaysia	**100**	100	Media advertisement agent, and production and distribution of magazines
Tameko Sdn. Bhd.	Malaysia	**100**	100	Provision of mobile contents and data application services
Cypress Valley Sdn. Bhd.	Malaysia	**100**	100	Dormant
One Seed Sdn. Bhd.	Malaysia	**100**	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**	100	Provision of mobile cellular, radio paging, other mobile telecommunication and related activities

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

The audited financial statements for the financial year ended 31 May 2018 of this subsidiary company are not available at the date the financial statements of the Group as it is not required to have their financial statements audited. However, the Directors are of the opinion that the financial results of this subsidiary companies are not material to the Group as the said subsidiary companies are dormant. Hence, the management accounts of the said subsidiary companies for the financial year ended 31 May 2018 have been used for the consolidation purposes.

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

(c) Acquisition in equity interest in E&J Builders Sdn. Bhd.

During the financial year, E&J Builders Sdn. Bhd. had increased its issued and paid up share capital from 2 ordinary shares to 2,500,000 ordinary shares by way of issuance of 2,499,998 new ordinary shares of RM1.00 each which were fully subscribed by the Company.

6. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Unquoted shares, at cost	**961,250**	961,250	**961,250**	961,250
Share of post-acquisition reserves	**(180,262)**	(170,807)	**–**	–
	780,988	790,443	**961,250**	961,250
Less: Impairment loss	**(780,988)**	(766,909)	**(780,988)**	(766,909)
	–	23,534	**180,262**	194,341
Represented by:				
Share of net assets	**–**	23,534		

The associate is Say Me Commerce Sdn. Bhd., a company incorporated in Malaysia, in which the Group holds 38.75% (2017: 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	
	2018 RM	**2017 RM**
Non-current assets	**11,399**	33,203
Current assets	**28,340**	35,036
Current liabilities	**(3,408)**	(7,508)
Net assets	**36,331**	60,731
Results		
Revenue	**–**	182
Loss/Total comprehensive expense for the financial year/period	**(24,400)**	(37,846)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. OTHER INVESTMENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Available for sale financial assets				
Quoted shares in Malaysia	**395,304**	766,104	**395,304**	766,104
Quoted debt instruments in Malaysia	**–**	2,737,738	**–**	–
	395,304	3,503,842	**395,304**	766,104

8. DEFERRED TAXATION

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group	
	2018 RM	2017 RM
Deferred tax assets	**–**	5,385
Deferred tax liabilities	**(109,188)**	(1,434,435)
	(109,188)	(1,429,050)
At beginning of the year/period	**(1,429,050)**	(1,602,103)
Recognised in profit or loss (Note 25):		
- property, plant and equipment	**1,325,247**	416,690
- unutilised tax losses	**–**	(119,036)
- unabsorbed capital allowance	**(5,385)**	(124,601)
	1,319,862	173,053
At end of the financial year/period	**(109,188)**	(1,429,050)

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

	Group	
	2018 RM	2017 RM
Deferred tax assets:		
- unabsorbed capital allowances	**–**	5,385
Offsetting	**–**	–
Net deferred tax assets	**–**	5,385
Deferred tax liabilities:		
- property, plant and equipment	**109,188**	1,434,435
Offsetting	**–**	–
Net deferred tax liabilities	**109,188**	1,434,435

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. DEFERRED TAXATION (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	
	2018 RM	2017 RM	2018 RM	2017 RM
Unutilised tax losses	**8,905,934**	8,598,349	**4,156,931**	4,389,798
Unabsorbed capital allowance	**530,651**	512,920	**409,446**	391,715
	9,436,585	9,111,269	**4,926,377**	4,781,513
Deferred taxation not recognised at 24% (2017: 24%)	**2,264,780**	2,186,705	**1,182,330**	1,147,563

9. TRADE RECEIVABLES

The Group's and the Company's normal trade credit terms range from 60 to 90 days (2017: 60 to 90 days).

The ageing analysis is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Neither past due nor impaired	**2,982,252**	1,354,724	**–**	–
Past due 1 - 90 days but not impaired	**3,577,532**	384,431	**–**	–
Past due 91 - 180 days but not impaired	**3,752,229**	259	**–**	–
Past due more than 180 days but not impaired	**912**	128	**–**	–
	7,330,673	384,818	**–**	–
	10,312,925	1,739,542	**–**	–

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 RM727,634 (2017: Nil).

10. AMOUNT OWING BY/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2018 RM	2017 RM
Contract costs incurred to date	**54,280,719**	–
Add: Attributable profits	**5,186,814**	–
	59,467,533	–
Less: Progress billings including retention sum	**(62,295,016)**	–
	(2,827,483)	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. AMOUNT OWING BY/(TO) CUSTOMERS ON CONTRACTS (CONTINUED)

	Group	
	2018	**2017**
	RM	**RM**
Represented by:		
Amount owing by customers on contracts	**229,916**	–
Amount owing to customers on contracts	**(3,057,399)**	–
	(2,827,483)	–
Retention sum included in the progress billings	**727,634**	–

Included in contract costs during the financial year is the following:

		Group	
		2018	**2017**
	Note	**RM**	**RM**
Staff costs	22	**1,801,080**	–

11. OTHER RECEIVABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Other receivables	**1,356,077**	327,430	**135,497**	270,073
Less: Impairment loss	**(21,949)**	(21,949)	**(21,949)**	(21,949)
	1,334,128	305,481	**113,548**	248,124
Prepaid expenses	**10,084,800**	85,989	**14,159**	12,761
Deposits	**9,347,694**	9,168,588	**13,372**	9,455
	20,766,622	9,560,058	**141,079**	270,340

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
At beginning/end of the financial year/period	**21,949**	21,949	**21,949**	21,949

Included in prepaid expenses of the Group is an amount of RM10,017,488 (2017: Nil) paid to supplier for construction project.

Included in deposits of the Group is an amount of RM9,000,000 (2017: RM9,000,000) paid to the joint arrangement partner pursuant to the Joint Venture Agreement.

12. AMOUNT OWING BY/(TO) SUBSIDIARY COMPANIES

These amounts are non-trade in nature, unsecured, interest-free and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Short-term deposits with licensed banks	**4,000**	10,500,000	–	8,000,000
Short-term deposits with fund management companies	**36,947,099**	26,364,952	**34,000,271**	1,564,371
Cash and bank balances	**6,540,152**	5,332,212	**61,670**	148,950
	43,491,251	42,197,164	**34,061,941**	9,713,321

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

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Short-term deposits with licensed banks	**3.15**	2.65 - 4.68	–	3.15 - 4.68
Short-term deposits with fund management companies	**3.29 - 3.84**	2.99 - 3.55	**3.59 - 3.76**	3.49 - 3.50

Deposits of the Group and the Company have an average maturity period of 30 days (2017: 30 days). Bank balances and short term deposits with licensed banks are deposits held at call with banks.

14. SHARE CAPITAL

	Group/Company			
	2018 Number of ordinary shares	2017 Number of ordinary shares	2018 RM	2017 RM
Authorised				
At beginning of the financial year/period	–	250,000,000	–	25,000,000
Abolishment of authorised share capital*	–	(250,000,000)	–	(25,000,000)
At end of the financial year/period	–	–	–	–
Issued and fully paid				
At beginning of the financial year/period	**162,709,500**	162,709,500	**17,525,258**	16,270,950
Transition to no par value regime*	–	–	–	1,254,308
At end of the financial year/period	**162,709,500**	162,709,500	**17,525,258**	17,525,258

* The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transition set out in Section 618(2) of the Act. There is no impact on the numbers of the ordinary shares in issue or the relative entitlement of the members as a result of this transition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. RESERVES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-Distributable:				
Share Premium				
At the beginning of the financial year/period	–	1,254,308	–	1,254,308
Transition to no-par value regime*	–	(1,254,308)	–	(1,254,308)
At the end of the financial year/period	–	–	–	–
Available for sale reserve	**(421,139)**	(25,584)	**(421,139)**	(50,339)
Translation reserve	**(518)**	(95)	–	–
	(421,657)	(25,679)	**(421,139)**	(50,339)
Distributable:				
Retained profits	**51,618,853**	53,585,530	**47,954,124**	17,743,974
	51,197,196	53,559,851	**47,532,985**	17,693,635

* Pursuant to Section 618(2) of the new Companies Act 2016 (the "Act"), share premium account become part of the company's share capital as disclosed in Note 14 to the financial statements.

16. FINANCE LEASE LIABILITY

	Group 2018 RM	Group 2017 RM
Future minimal finance lease payments		
Within one year	**52,812**	–
Between one and five years	**101,209**	–
	154,021	–
Less: Future finance charges	**(10,805)**	–
Present value of finance lease liability	**143,216**	–

Maturity of borrowings is as follows:

	Group 2018 RM	Group 2017 RM
Within one year	**46,740**	–
Between one and five years	**96,476**	–
	143,216	–

The finance lease liability of the Company bear interest at rate 2.59% (2017: Nil) per annum.

17. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 30 to 90 days (2017: 30 to 90 days).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	**599,248**	225,914	**258,414**	8,511
Accrued expenses	**1,367,584**	263,052	**11,800**	25,250
	1,966,832	488,966	**270,214**	33,761

19. REVENUE

	Group		Company	
	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM
Mobile content and data application services	**10,774,061**	19,966,428	**–**	–
Construction	**62,295,016**	–	**–**	–
Distribution of magazine	**–**	45,803	**–**	–
Management fees received from subsidiary companies	**–**	–	**–**	2,397,898
Dividend income received from subsidiary companies	**–**	–	**31,000,000**	6,000,000
	73,069,077	20,012,231	**31,000,000**	8,397,898

20. PURCHASES AND OTHER DIRECT COSTS

	Group		Company	
	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM
Mobile content and data application services	**842,297**	6,210,076	**–**	–
Construction	**57,130,167**	–	**–**	–
	57,972,464	6,210,076	**–**	–

21. OTHER OPERATING INCOME/(EXPENSE)

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

	Group		Company	
	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM
Auditors' remuneration				
- current year	**88,165**	88,198	**20,000**	22,000
- prior year	**(18,818)**	(4,730)	**(2,000)**	(3,000)
- non-audit services	**9,000**	3,000	**3,000**	3,000
Amount owing by subsidiary companies written off	**–**	–	**2,347,832**	–
Bad debts written off	**–**	62,643	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. OTHER OPERATING INCOME/(EXPENSE) (CONTINUED)

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

	Group		Company	
	1.6.2017 to 31.5.2018 RM	**1.1.2016 to 31.5.2017 RM**	**1.6.2017 to 31.5.2018 RM**	**1.1.2016 to 31.5.2017 RM**
Deposits written off	**–**	478,108	**–**	–
Impairment loss on goodwill	**4,542,836**	–	**–**	–
Impairment loss on investment in an associate	**14,079**	–	**14,079**	–
Impairment loss on investment in subsidiary companies	**–**	–	**229,764**	1,223,996
Impairment loss on property, plant and equipment	**–**	102,069	**–**	–
Impairment loss on intangible asset	**4,268,659**	187,758	**–**	–
Property, plant and equipment written off	**–**	179,435	**–**	111,976
(Gain)/Loss on disposal of property, plant and equipment	**(5,484)**	27,070	**–**	–
Loss on disposal of subsidiary	**–**	125,639	**–**	1,559,998
Management fee payable to subsidiary	**–**	–	**–**	57,363
Rental of equipment	**7,952**	13,581	**2,880**	4,746
Rental of motor vehicle	**16,800**	–	**–**	–
Rental of storage space	**3,051**	4,007	**143**	659
Rental of premises	**44,881**	280,995	**–**	–
Interest income	**(1,356,525)**	(2,082,835)	**(452,660)**	(1,046,479)
Foreign exchange loss/(gain)				
- Realised	**45,605**	9,001	**–**	–
- Unrealised	**(25,674)**	(199)	**–**	–
Dividend income	**(197,161)**	(42,120)	**(105,780)**	(42,120)
Rental income	**–**	(3,717)	**–**	–
Gain on disposal of other investment	**(34,121)**	–	**–**	–
Gain on winding up of subsidiary	**–**	–	**–**	(12,498)
Waiver of amount due to a subsidiary company	**–**	–	**(1,989,150)**	–
Waiver of amount due to former directors	**–**	(43,969)	**–**	–

22. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	1.6.2017 to 31.5.2018 RM	**1.1.2016 to 31.5.2017 RM**	**1.6.2017 to 31.5.2018 RM**	**1.1.2016 to 31.5.2017 RM**
Staff costs (excluding Directors) comprise:				
Charged to profit or loss	**2,333,261**	5,300,670	**–**	1,298,499
Staff costs recognised in contract costs	**1,801,080**	–	**–**	–
Capitalised as intangible assets	**249,250**	676,811	**–**	–
Total staff costs for the financial year/period	**4,383,591**	5,977,481	**–**	1,298,499

Included in the total staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group and for the Company amounting to RM453,224 and RMNil (31.5.2017: RM633,716 and RM142,354) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. DIRECTORS' REMUNERATION

	Group		Company	
	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM
Executive Directors:				
- Salary and other emoluments	**1,920,714**	1,608,750	**–**	1,153,750
- Defined contribution plan	**294,586**	283,575	**–**	207,675
- Social security contributions	**1,736**	1,114	**–**	811
	2,217,036	1,893,439	**–**	1,362,236
Non-executive directors:				
- Fees	**72,000**	91,292	**72,000**	91,292
	2,289,036	1,984,731	**72,000**	1,453,528

	Number of Directors	
Executive Directors:		
Below RM50,000	**1**	1
Between RM50,001 to RM2,000,000	**1**	1
Non-executive Directors:		
Below RM50,000	**4**	4

24. FINANCE COST

	Group		Company	
	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM
Interest expense on:				
Term loans	**–**	22,417	**–**	2,557
Finance lease liability	**617**	–	**–**	–
	617	22,417	**–**	2,557

25. TAXATION

	Group		Company	
	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM
Current taxation:				
- Current year/period provision	**1,146,469**	393,810	**–**	29,743
- Under provision in prior period	**8,310**	33	**10,792**	–
Deferred taxation:	**1,154,779**	393,843	**10,792**	29,743
- Original and reversal of temporary differences	**(1,319,862)**	(173,053)	**–**	–
Taxation for the financial year/period	**(165,083)**	220,790	**10,792**	29,743

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. TAXATION (CONTINUED)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (31.5.2017: 24%) of the estimated assessable profit for the financial year/period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to (loss)/profit 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	
	1.6.2017 to 31.5.2018 RM	**1.1.2016 to 31.5.2017 RM**	**1.6.2017 to 31.5.2018 RM**	**1.1.2016 to 31.5.2017 RM**
(Loss)/Profit before taxation	**(2,131,760)**	(1,723,447)	**30,220,942**	3,043,425
Taxation at statutory tax rate of 24% (31.5.2017: 24%)	**(511,622)**	(413,627)	**7,253,026**	730,422
Expenses not deductible for tax purposes	**4,433,941**	694,359	**763,629**	816,198
Income not subject to tax	**(4,173,788)**	(374,537)	**(8,051,422)**	(1,466,699)
Deferred tax assets not recognised	**92,254**	364,740	**34,767**	–
Utilisation of deferred tax assets not recognised	**(14,179)**	(50,178)	**–**	(50,178)
Over provision of current taxation in prior period	**8,310**	33	**10,792**	–
Taxation for the financial year/period	**(165,083)**	220,790	**10,792**	29,743

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. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share of the Group is calculated by dividing the consolidated loss attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the financial year/period.

	Group	
	2018 RM	**2017 RM**
Loss for the financial year/period attributable to the owners of the Company	**(1,966,677)**	(1,944,237)

	Group	
	2018 RM	**2017 RM**
Weighted number of ordinary shares issued	**162,709,500**	162,709,500
Basic loss per share (sen)	**(1.21)**	(1.19)

(b) Diluted loss per share

There is no diluted 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. DIVIDEND

	Group/Company 1.6.2017 to 31.5.2018 RM	Group/Company 1.1.2016 to 31.5.2017 RM
First and final single tier tax exempt dividend of 0.60 sen per ordinary share paid in respect of the financial year ended 31 December 2015	–	976,257

28. CASH FLOW INFORMATION

(a) Purchase of property, plant and equipment

	Group 1.6.2017 to 31.5.2018 RM	Group 1.1.2016 to 31.5.2017 RM	Company 1.6.2017 to 31.5.2018 RM	Company 1.1.2016 to 31.5.2017 RM
Cost of property, plant and equipment purchased	**176,173**	633,636	–	1,100
Less: Finance lease liabilities	**(147,000)**	–	–	–
Cash payment	**29,173**	633,636	–	1,100

(b) Reconciliation of liabilities arising from financing activities

	Finance lease liabilities RM
At 1 June 2017	–
Cash flow	(3,784)
Finance lease financing for additions of property, plant and equipment	147,000
Total non-cash changes	147,000
At 31 May 2018	**143,216**

29. 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 work

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. SEGMENTAL INFORMATION (CONTINUED)

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.

(a) **Business segments**

	Construction RM	Contents and value added services RM	Investment holding RM	Elimination RM	Consolidated RM
31.5.2018					
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
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 cost					(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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. SEGMENTAL INFORMATION (CONTINUED)

(a) **Business segments (continued)**

	Contents and value added services RM	Investment holding RM	Elimination RM	Consolidated RM
31.5.2017				
REVENUE				
External revenue	20,012,231	–	–	20,012,231
Intersegment revenue	8,797,276	8,397,898	(17,195,174)	–
	28,809,507	8,397,898	(17,195,174)	20,012,231
RESULTS				
(Loss)/Profit from operations	(1,392,927)	3,045,962	(3,339,400)	(1,686,365)
Share of results of an associate				(14,665)
Finance cost				(22,417)
Taxation				(220,790)
Loss for the period				(1,944,237)
OTHER INFORMATION				
Segment assets	43,672,276	35,282,397	(5,117,120)	73,837,553
Segment liabilities	20,135,445	33,510	(17,416,511)	2,752,444
Capital expenditure	1,778,328	1,100	–	1,779,428
Depreciation of property, plant and equipment	1,870,734	131,868	–	2,002,602
Amortisation of intangible assets	1,686,442	–	–	1,686,442
Impairment loss on property, plant & equipment	102,069	–	–	102,069
Impairment loss on intangible asset	187,758	–	–	187,758
Deposits written off	478,108	–	–	478,108
Other non-cash expenses	113,203	1,671,974	(1,434,359)	350,818

(b) **Geographical segments**

Revenue by geographical location of customers

	Group	
	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM
Malaysia	**71,427,756**	19,481,963
Others	**1,641,321**	530,268
	73,069,077	20,012,231

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. SEGMENTAL INFORMATION (CONTINUED)

(c) Information about major customers

The following are the major customers individually accounting for 10% or more of group revenue for current period and prior year:

	Group 1.6.2017 to 31.5.2018 RM	Group 1.1.2016 to 31.5.2017 RM
Customer A	**–**	5,475,270
Customer B	**4,400,318**	8,230,046
Customer C	**1,629,427**	3,126,145
Customer D	**62,295,016**	–
	68,324,761	16,831,461

30. 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. During the financial year, the Company is not subject to externally imposed capital management as it does not have any significant external borrowing.

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade and other payables	**7,903,600**	1,288,266	**270,214**	33,761
Finance lease liability	**143,216**	–	**–**	–
Less: cash and cash equivalents	**(43,491,251)**	(42,197,164)	**(34,061,941)**	(9,713,321)
Net liquidity	**(35,444,435)**	(40,908,898)	**(33,791,727)**	(9,679,560)
Total equity	**68,722,454**	71,085,109	**65,058,243**	35,218,893
Capital and net debt	**33,278,019**	30,176,211	**31,266,516**	25,539,333
Gearing ratio	**N/A**	N/A	**N/A**	N/A

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments and their categories:

	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
Finance lease liability	–	143,216	143,216
	–	**8,046,816**	**8,046,816**
Company			
Financial assets			
Other receivables	–	126,920	126,920
Amount owing by subsidiary companies	–	19,046,146	19,046,146
Other investments	395,304	–	395,304
Cash and cash equivalents	–	34,061,941	34,061,941
	395,304	**53,235,007**	**53,630,311**
Financial liabilities			
Other payables	–	270,214	270,214
Amount owing to a subsidiary company	–	660,000	660,000
	–	**930,214**	**930,214**
2017			
Group			
Financial assets			
Trade receivables	–	1,739,542	1,739,542
Other receivables	–	9,474,069	9,474,069
Other investments	3,503,842	–	3,503,842
Cash and cash equivalents	–	42,197,164	42,197,164
	3,503,842	53,410,775	56,914,617
Financial liabilities			
Trade payables	–	799,300	799,300
Other payables	–	488,966	488,966
	–	1,288,266	1,288,266

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 FINANCIAL INSTRUMENTS (CONTINUED)

	Available for sale RM	Loans and receivables/ other financial liabilities RM	Total RM
2017			
Company			
Financial assets			
Other receivables	–	257,579	257,579
Amount owing by subsidiary companies	–	15,014,718	15,014,718
Other investments	766,104	–	766,104
Cash and cash equivalents	–	9,713,321	9,713,321
	766,104	24,985,618	25,751,722
Financial liabilities			
Other payables	–	33,761	33,761

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 disclosed in Note 9. 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.

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
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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying amount RM	Contractual interest rate %	Contractual cash flow RM	On demand or within one year RM	One to five years RM
2018					
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**	**–**
2017					
Group					
Trade payables	799,300	–	799,300	799,300	–
Other payables	488,966	–	488,966	488,966	–
	1,288,266		1,288,266	1,288,266	–
Company					
Other payables	33,761	–	33,761	33,761	–

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.

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
31.5.2018	
Trade receivables - US Dollar	**30,497**
31.5.2017	
Trade receivables - US Dollar	597,921

The following table shows the sensitivity of the Group's and the Company's equity and loss 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Foreign currency exchange risk (continued)

	Group Loss net of tax	
	31.5.2018	**31.5.2017**
	RM	**RM**
USD/RM -strengthened 5%	**1,159**	22,721
-weakened 5%	**(1,159)**	(22,721)

(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	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Fixed rate instruments				
Short-term deposits with licensed banks	**4,000**	10,500,000	**–**	8,000,000
Short-term deposits with licensed fund management companies	**36,947,099**	26,364,952	**34,000,271**	1,564,371
	36,951,099	36,864,952	**34,000,271**	9,564,371
Fixed rate instruments				
Finance lease liability	**143,216**	–	**–**	–

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

The following table analyses the fair value hierarchy for financial instruments carried at fair value in the statement of financial position:

	2018 Level 1 Fair Value RM	2017 Level 1 Fair Value RM
Group		
Financial assets		
Available for sale	**395,304**	3,503,842
Company		
Financial assets		
Available for sale	**395,304**	766,104

32. RELATED PARTY DISCLOSURES

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	
	1.6.2017 to 31.5.2018 RM	1.1.2016 to 31.5.2017 RM
Management fees from subsidiary companies	–	2,397,898
Dividend income from subsidiary companies	**31,000,000**	6,000,000

(b) The remuneration of directors and other member of key management during the financial year is disclosed in Note 23 to the financial statements.

33. COMPARATIVE FIGURES

The previous financial period is from 1 January 2016 to 31 May 2017, compared to a twelve months period for the current financial year ended 31 May 2018. Therefore, the comparative amounts are not in respect of a comparable period for the statements of profit or loss and other comprehensive income, changes in equity, cash flows and their related notes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. MATERIAL JOINT OPERATIONS

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.

35. SUBSEQUENT EVENT

On 5 June 2018, the Group via its wholly owned subsidiary, E&J Builders Sdn. Bhd., had acquired 51% equity interest in Gabungan EJB Construkt Sdn. Bhd., representing 51 ordinary shares, for a cash consideration of RM51.

36. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 May 2018 were authorised for issue in accordance with a resolution of the Board of Directors dated 13 September 2018.

LIST OF PROPERTIES
AT 31 MAY 2018

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	24 Years	5,435	1,592,005	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	24 Years	2,422	1,070,966	17-Jun-2010
3	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	24 Years	2,432	1,119,247	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	20 Years	783	63,700	13-Dec-1999

SHAREHOLDING STATISTICS
7 SEPTEMBER 2018

SHARE CAPITAL

Issued and Paid-Up Share Capital : RM16,270,950.00 comprising 162,709,500 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	51	2.188	2,319	0.001
100 – 1,000	157	6.738	65,820	0.040
1,001 – 10,000	932	40.000	6,164,911	3.788
10,001 – 100,000	1,016	43.605	36,381,300	22.359
100,001 – 8,135,474	172	7.381	92,137,750	56.627
8,135,475 And Above	2	0.085	27,957,400	17.182
Total	2,330	100.000	162,709,500	100.00

SUBSTANTIAL SHAREHOLDERS
(As per Register of Substantial Shareholders)

		Direct Interest		Indirect Interest	
No.	**Name of Shareholders**	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Ecobuilt (M) Sdn. Bhd.	18,194,400	11.182	0	0.000
2.	E&J Venture Sdn. Bhd.	14,600,000	8.973	0	0.000
3.	Ong Chee Koen	0	0.000	14,600,000 (a)	8.973
		0	0.000	18,194,400 (b)	11.182
4.	Yap Nam Fee	0	0.000	18,194,400 (b)	11.182
5.	Siow Lee Fah	0	0.000	18,194,400 (b)	11.182

DIRECTORS' SHAREHOLDING

		Direct Interest		Indirect Interest	
No.	**Name of Directors**	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Ong Chee Koen	0	0.000	14,600,000 (a)	8.973
		0	0.000	18,194,400 (b)	11.182
2.	Yap Nam Fee	0	0.000	18,194,400 (b)	11.182
3.	Thong Kooi Pin	0	0.000	0	0.000
4.	Abdul Razak bin Dato' Haji Ipap	0	0.000	0	0.000
5.	Nirmala A/P Doraisamy	0	0.000	0	0.000
6.	Mohd Zaini Bin Noordin	0	0.000	0	0.000

Notes:
(a) Deemed Interest through the shares held by E&J Venture Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.
(b) Deemed Interest through the shares held by Ecobuilt (M) Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

SHAREHOLDING STATISTICS (CONTINUED)

THIRTY LARGEST SHAREHOLDERS

No.	Name of Investors	No. of Shares	%
1.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Ecobuilt (M) SdnBhd*	18,194,400	11.182
2.	E&J Venture Sdn Bhd	9,763,000	6.000
3.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lim Soon Peng*	7,100,000	4.363
4.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Sutera Bangsa Sdn Bhd*	5,353,600	3.290
5.	Lim A Heng @ Lim Kok Cheong	5,010,200	3.079
6.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For E&J Venture Sdn Bhd*	4,837,000	2.972
7.	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Hew Yoon Hsia*	4,532,600	2.785
8.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lew Assets Sdn Bhd*	4,500,000	2.765
9.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For LWY Holding Sdn Bhd*	4,500,000	2.765
10.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Yeap Weng Hong*	3,400,000	2.089
11.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Kong Kok Choy(8092812)*	3,300,000	2.028
12.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Ang Lin Chu*	3,000,000	1.843
13.	Chua Shok Tim @ Chua Siok Hoon	2,430,000	1.493
14.	Tung Wai Fun	2,052,000	1.261
15.	Teng Swee Hin	1,031,900	0.634
16.	Lim Shen Maw	1,000,000	0.614
17.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Solomon Tan Yiin Yuh*	900,000	0.553
18.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Chua Meng Keat*	846,800	0.520
19.	CIMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Chan Kok Keong (Bdr Utama-CL)*	700,000	0.430
20.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Ooi Kim Sew*	685,600	0.421
21.	Liew Sin Keat	652,500	0.401
22.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank For Lim Tien Sze (My2447)*	583,700	0.358
23.	Wong Siu Chung	572,000	0.351
24.	Ng Soo Chen	562,700	0.345
25.	Ooi Ing Chew	528,700	0.324
26.	CIMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Tan Eng Huat (Penang-CL)*	500,000	0.307
27.	Majuri Theipmanee A/P Charon	500,000	0.307
28.	Syed Sirajuddin Putra Jamalullail	500,000	0.307
29.	Xie Xin Poultry Merchant Sdn Bhd	500,000	0.307
30.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Ng Siau Men(8080599)*	490,600	0.301

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held at Lily Room, The Zon All Suites Residences On The Park, 161-D Jalan Ampang, 50450 Kuala Lumpur on Thursday, 15 November 2018 at 2.00 p.m. to transact the following businesses:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 May 2018 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1 on Ordinary Business)**

2. To re-elect Ir. Yap Nam Fee who retires pursuant to Article 132 of the Company's Articles of Association. **(Resolution 1)**

3. To approve the payment of Directors' fees of up to RM144,000 for the financial year ending 31 May 2019. **(Resolution 2)**

4. To re-appoint Messrs Morison Anuarul Azizan Chew as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 3)**

Special Business

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

5. **ORDINARY RESOLUTION I**
Authority To Allot And Issue Shares **(Resolution 4)**

"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."

6. **ORDINARY RESOLUTION II**
Continuing in Office as Independent Non-Executive Director **(Resolution 5)**

"THAT approval be and is hereby given to Mohd Zaini Bin Noordin who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue act as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING (CONTINUED)

7. **SPECIAL RESOLUTION**
   Proposed Change Of Company's Name **(Resolution 6)**

   "THAT the name of the Company be changed from "M-Mode Berhad" to "Ecobuilt Holdings Berhad" with effect from the date of the Notice of Registration of New Name issued by the Companies Commission of Malaysia and that the Memorandum and Articles of Association of the Company be hereby amended accordingly, wherever the name of the Company appears.

   AND THAT the Directors and/or Secretary of the Company be and are hereby authorised to give effect to the Proposed Change of Name with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities."

8. 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
28 September 2018

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 FOURTEENTH 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 8 November 2018 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 2018*

The item is meant for discussion only as the provision of Section 340(1) of the Companies Act, 2016 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*

Ir. Yap Nam Fee is standing for re-election as Director of the Company and being eligible, has offered himself for re-election at the Annual General Meeting.

Abdul Razak Bin Dato' Haji Ipap and Thong Kooi Pin who are retiring pursuant to Article 127 of the Company's Articles of Association as Directors of the Company at the forthcoming Fourteenth Annual General Meeting, have indicated to the Company that they would not be seeking re-election at the Fourteenth Annual General Meeting. Therefore, Abdul Razak Bin Dato' Haji Ipap and Thong Kooi Pin shall retire as Directors at the conclusion of the Fourteenth Annual General Meeting.

3. *Payment of Directors' Fees and Benefits*

Pursuant to Section 230(1) of the Companies Act, 2016, the fees of the directors and any benefits payable to the directors shall be approved at a general meeting.

The Proposed Resolution 2 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.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. *Ordinary Resolution I : **Authority to Directors to Allot and Issue Shares***

The Ordinary Resolution proposed under Resolution 4 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.

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING (CONTINUED)

The Ordinary Resolution proposed under Resolution 4, 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. *Ordinary Resolution II :* ***Continuing in Office as Independent Non-Executive Director***

Pursuant to the Malaysian Code on Corporate Governance, the Board has via the Nomination Committee assessed the independence of Mohd Zaini Bin Noordin who had served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended him to continue act as Independent Non-Executive Director of the Company based on the following justifications:-

(i) he has fulfilled the criteria under the definition of Independent Directors as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he will be able to function as a check and balance, bringing an element of objectivity to the Board;
(ii) he has vast experience in a diverse range of businesses and therefore will be able to provide constructive opinion; he exercises independent judgement and has the ability to act in the best interest of the Company;
(iii) he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making; and
(iv) he has continued to exercise his independence and due care during his tenure as Independent Non-Executive Directors of the Company and carried out his professional duties in the best interest of the Company and shareholders.

The Ordinary Resolution proposed under Resolution 5 if passed, will enable Mohd Zaini Bin Noordin to continue to act as Independent Non-Executive Director of the Company.

3. *Special Resolution :* ***Proposed Change of Company's Name***

On 13 September 2018, the Company had announced to Bursa Malaysia Securities Berhad that the Board had proposed to change the Company's name from "M-Mode Berhad" to "Ecobuilt Holdings Berhad". The Proposed Change of Company's name to Ecobuilt Holdings Berhad is to rebrand as the Group had venture into Construction.

The approval of Companies Commission of Malaysia ("CCM") for the use of proposed name "Ecobuilt Holdings Berhad" which was obtained via CCM's email dated 13 September 2018 and the reservation of name is valid for a period of 30 days from 13 September 2018 ("Validity Period"). Subsequently, the Validity Period was extended by CCM to 11 January 2019 (which may be further extended by CCM). The Proposed Change of Company's name is subject to the approval of shareholders of the Company by way of a Special Resolution which requires a majority of not less than three fourth of such members of the Company as being entitled so to do vote in person or by proxy at the forthcoming Fourteenth Annual General Meeting to be convened on 15 November 2018.

The Special Resolution proposed under Resolution 6 if passed, would change the Company's name to "Ecobuilt Holdings Berhad" upon issuance of Notice of Registration of new name by the CCM.

m-mode

FORM OF PROXY

M-Mode Berhad (635759-U)
(Incorporated in Malaysia)

CDS Account No.	
No. of shares held:	

* I/We,____NRIC/ Company No____________________
(FULL NAME IN CAPITAL LETTERS)

of____
(FULL ADDRESS)

being member(s) of **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 vote for me/us and on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Lily Room, The Zon All Suites Residences On The Park, 161-D Jalan Ampang, 50450 Kuala Lumpur on Thursday, 15 November 2018 at 2.00 p.m. and at any adjournment thereof, and to vote as indicated below:-

	AGENDA	RESOLUTION	*FOR	*AGAINST
1.	Re-election of Ir. Yap Nam Fee.	1		
2.	Payment of Directors' fees for the financial year ending 31 May 2019.	2		
3.	Re-appointment of Messrs Morison Anuarul Azizan Chew as Auditors.	3		
4.	Authority to the Directors to allot and issue shares pursuant to Sections 75 & 76 of the Companies Act, 2016.	4		
5.	Authority for Mohd Zaini Bin Noordin to continue in office as Independent Non-Executive Director.	5		
6.	Proposed Change of Company's Name	6		

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

____
Signature of Shareholder(s) or Common Seal
Contact Number:

Signed this _____ day of ______________ 2018

Fold here for sealing

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.

(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 8 November 2018 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.

Fold along this line (1)

Affix
Stamp
Here

The Company Secretaries
M-Mode Berhad (635759-U)
Unit 30-01, Level 30, Tower A, Vertical
Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

Fold along this line (2)

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