M-MODE BERHAD (635759-U)

Annual Report 2009

Mobile Media At Your Fingertips
Anytime, Anywhere.

ANNUAL REPORT 2009

M-MODE BERHAD
(635759-U)

CONTENTS

REPORTS & FINANCIAL STATEMENTS

CORPORATE INFORMATION

Board of Directors
Dato' Lim Thean Keong
Chairman/Group Managing Director

Thong Kooi Pin
Non-Independent Non-Executive Director

Dato' Fam Lee Ee
Independent Non-Executive Director

Mohd Zaini Bin Noordin
Independent Non-Executive Director

Chin Chee Seong
Independent Non-Executive Director

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

Thong Kooi Pin
Non-Independent Non-Executive Director

Mohd Zaini Bin Noordin
Independent Non-Executive Director

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

Dato' Fam Lee Ee
Independent Non-Executive Director

Thong Kooi Pin
Non-Independent Non-Executive Director

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

Mohd Zaini Bin Noordin
Independent Non-Executive Director

Thong Kooi Pin
Non-Independent Non-Executive Director

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

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Level 18, The Gardens North Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur,
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Fax : 03-2282 2733

Share Registrar
Tricor Investor Services Sdn Bhd
(Formerly known as Tenaga Koperat Sdn. Bhd.)
(Co. No. 118401-V)
Level 17, The Gardens North Tower,
Mid Valley City,
Lingkaran Syed Putra,
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Malaysia.
Tel : 03-2264 3883
Fax : 03-2282 1886

Principal Banker
RHB Bank Berhad

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

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

Corporate Website
www.m-mode.com.my

BOARD OF DIRECTORS

Dato' Lim Thean Keong, aged 47, Malaysian citizen, is the founder and Chairman/Group Managing Director of M-Mode Berhad ("M-Mode" or "Company"), a member of Malaysian ACE Market. He was appointed to the Board on 31 March 2004. With the experience, expertise and technical know-how, Dato' Lim has successfully charted the strategic directions and growth of the M-Mode Group ever since its inception in the year 2002. He has successfully led M-Mode Group to become a leading mobile content publisher that provides variety of mobile contents to the telco carriers and mobile phone users.

Dato' Lim graduated with a Bachelor of Art (Hons.) degree from University of Malaya, Malaysia in 1987. He is now the secretary of the alumni of Pejabatan Pengaijian Tionghua University Malaya, Malaysia (PEJATI).

Thong Kooi Pin, aged 38, 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 Masters degree in business administration majoring in finance in 2005 from Universiti Putra Malaysia, Malaysia. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

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

Dato' Fam Lee Ee, aged 49, Malaysian citizen, is an Independent Non-Executive Director of M-Mode. He was appointed to the Board on 13 September 2004. He graduated from University of Malaya, Malaysia with a Bachelor of Arts (Hons) degree in 1986. He obtained his LLB (Hons) degree from the University of Liverpool, England in 1989. He has also obtained the Certificate of Legal Practice (CLP) in 1990 and has been practising law since 1991. He is currently a practising partner in Messrs. YF Chun, Fam & Yeo.

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

He is also an Independent Non-Executive Director of AirAsia Berhad.

Mohd Zaini bin Noordin, aged 48, Malaysian citizen, is an Independent Non-Executive Director of M-Mode. He was appointed to the Board on 13 September 2004. He completed courses in Insurance and Actuarial Science from Indiana University in United States of America. He is the founder of MOL AccessPortal Bhd and has more than twenty (20) years of experience in the IT industry and marketing profession. He has entrepreneurial experience with his own companies and corporate experience in both local and foreign multinational companies including NEC Sales (M) Sdn Bhd, Uniphone Sdn Bhd and Mesiniaga Bhd. He was also previously the General Manager of Special Projects at YPJ Holdings Sdn Bhd (a Johor State Investment company) and directly managed Perbadanan Usahawan Johor Sdn Bhd and set-up the Johor Incubation Centre.

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

Chin Chee Seong, aged 50, Malaysian citizen, is an Independent Non-Executive Director of M-Mode. He was appointed to the Board on 14 August 2009. He graduated with a Honours degree in Electrical, Electronic and Communication Engineering from National University of Malaysia (UKM) in 1985. With more than twenty four (24) years in the ICT industry and eight (8) years experience in Online Games Business, he has vast experience in Information Technology, Telecommunication and Online Gaming Industry especially in Malaysia, China and South East Asia.

He is currently the Chief Executive Officer of Rosso Index Malaysia, a wholly-owned subsidiary of a company listed in Japan. He is also the councilor of PIKOM, The National ICT Association of Malaysia

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

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

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors of M-Mode Berhad ("M-Mode"), it is my pleasure to present you the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2009.

I am pleased to report an outstanding performance of the Group for the financial year ended 31 December 2009. We made significant progress on the cooperative strategy with mobile network operators and delivered strong results through consistent execution of business strategy last year. I am very proud that we delivered impressive financial results in both revenue and profits thus reaffirming our leadership position in the industry. This success reflects our dedication and commitment towards innovation. As we look forward to 2010, I am highly optimistic that we can improve and deliver higher achievements.

Financial Performance

For the financial year ended ('FYE') 31 December 2009, the Group registered revenue of RM22.22 million, representing an increase of 38.3% as compared to RM16.07 million in the previous financial year ended 31 December 2008. Net profits after taxation attributable to shareholders has also increased to RM3.02 million compared to RM2.15 million in the previous financial year, representing an annual growth rate of 40.5%.

The growth in the Group's revenue was mainly due to strategic directions set by the Management in leveraging our strong execution capabilities and providing a wide premium portfolio of media assets (content) to increase users' value and loyalty to our services as mentioned last year. The Group's profit after tax attributable to shareholders for FYE 2009 has increased by approximately RM0.87 million as compared to the FYE 2008 even though there was a recognition of a loss of RM0.21 million arising from the discontinuation of our operation in Indonesia.

Business Review and Outlook

The mobile environment in Malaysia is constantly facing ever-changing regulatory compliance. Regulator imposes and enforces new ruling to control the practices of mobile content businesses where the industry players including Operators and Content Providers are adjusting to these new guidelines. The reinforcement of quality content development and reliable branding is thus the significant strategy in response to the new challenges imposed by the regulatory body.

Domestic mobile growth is slowing in Malaysia as the market reaches saturation. Nonetheless, the mobile environment is still considered to be optimistic and vibrant with new technology and development being constantly introduced to the market. The convergence of the multiple technologies in mobile devices encourages mobile subscribers to expect and desire more enhanced and "rich" contents and services. It stimulates Mobile Media to be innovative in enhancing and developing contents and services in different platforms.

Mobile Media has the unique characteristics which other medium could not meet, in terms of its potential to attract and engage customers through type of content and its creative capabilities – the written words, images, sound, video to user generated content. It also has the unique usage characteristics of portability where users have the flexibility to search for content on the Mobile Internet Portal anytime and anywhere.

At M-Mode, the milestone of improving the quality of people's lifestyle through Mobile Media is still the focal point of our value. We are committed to indulge mobile users with enlightening user experience and valuable contents.

Strategic Directions

M-Mode is geared to improve its product and services to provide more features and value to subscribers and at the same time to attract users to use its services and portal as their gateway to information age via the mobile media world.

We are committed on the following strategic directions to focus on establishing a long-term relationship with our existing users to realize our vision to being a true Mobile Media Company which strengthen ties among people and lifestyle:

a) **Being a Digital Content Publisher** – We position ourselves as a Digital Content Publisher to bring greater value of contents to subscribers through business collaborations with branded and established content specialists domestically and internationally in the areas of videos, MMS, comic etc. This milestone illustrates the dedications of M-Mode to be always at the forefront of the industry.
b) **Development of Value Added Services (**VAS) – To stay competitive, M-Mode is geared to set forth the development of VAS. This is a significant initiative to provide full experience of mobile lifestyle to users.
c) **Leveraging on our core values** We leverage our expertise and innovation to continuously enhance products and services by bringing the value of Mobile Media to people's lifestyle. We also placed tremendous focus on building stronger organization that can attract, develop and retain the best engineering and business talents who seek a common vision as the Group.

As the Group Chairman, I believe that through the implementation of these strategic directions we would be able to ascertain the needs of each of our 28 million users and precisely meet their expectations. We will leverage on innovativeness in contents creations and VAS to aggressively create new value.

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

Research & Development

In line with the strategic direction of the Group, the R&D effort is concentrated in the development of latest mobile and life style technology; churning new and innovative services, offerings and meeting the dynamic needs of the mobile media industry. Equally important is its synergistic and seamless integration with the technologies of its partner mobile network operators; ensuring an efficient mobile gateway connection and reporting, which is essential for the Group's continuous success.

For the financial year ended 31 December 2009, the total R&D expenses incurred was approximately RM1.30 million representing about 5.8% of the Group's total revenue.

Dividend

Given better performance of the Company in 2009, the Board is pleased to recommend a first and final Tax Exempt Dividend of 3.5% for the financial year ended 31 December 2009 (2008: Interim

Dividend (cont’d)

2%) for the approval of shareholders at the forthcoming 6th Annual General Meeting to be held on 4th June 2010.

Appreciation

On behalf of the Board of Directors, I would like to thank the management, valuable employees and our indispensable business partners and associates, for their commitment, dedication, contribution and continuous support towards the Group.

Thank you,

DATO’ LIM THEAN KEONG
CHAIRMAN

AUDIT COMMITTEE REPORT

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

1. *Composition of Audit Committee*

The present members of the Audit Committee comprise the following members:-

Chairman

Dato' Fam Lee Ee – Independent Non-Executive Director

Members

Mohd Zaini Bin Noordin – Independent Non-Executive Director
Thong Kooi Pin – Non-Independent Non-Executive Director

2. *Terms of Reference*

A. Composition

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

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

(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
- he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
- he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

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

B. Authority

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

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

C. Functions and Duties

The functions of the Audit Committee are as follows:-

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

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

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

D. Retirement and Resignation

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

3. Meetings

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

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

4. *Summary of Activities Undertaken*

The Audit Committee held four (4) meetings during the financial year ended 31 December 2009. The details of attendance of the Audit Committee members are as below:-

Name	Attendance
Dato' Fam Lee Ee (Chairman)	4/4
Mohd Zaini Bin Noordin	4/4
Thong Kooi Pin	4/4

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

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

5. *Employees' Share Option Scheme (ESOS)*

The ESOS or Option Committee was established on 19 September 2005 following the implementation of ESOS. The members of the Option Committee are as follows:-

Chairman

Dato' Lim Thean Keong - Chairman/Group Managing Director

Members

Dato' Fam Lee Ee - Independent Non-Executive Director
Thong Kooi Pin - Non-Independent Non-Executive Director

The objectives of the Option Committee are to:-

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

No meeting was held and the Company did not offer ESOS options to director and employees of the Group for the financial year ended 31 December 2009.

6. *Internal Audit Function*

The Board has appointed an in-house internal auditor reporting directly to the Audit Committee. The internal audit function is to ensure a regular review of the adequacy and integrity of its

6. Internal Audit Function (cont'd)

internal control system. They will also be required to assist the Group in enhancing its existing risk management framework and adopting a risk based approach.

The Internal Auditor is required to conduct regular and systematic reviews on all operating units and submit an independent report to the Audit Committee for review and approval. The cost incurred for the internal audit functions for the FYE 31 December 2009 was RM25,700.

STATEMENT ON CORPORATE GOVERNANCE

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

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

A. *Directors*

(i) The Board

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

The Board had convened four (4) meetings during the year 2009. The details of the Directors' attendance at the Board meetings are set out as follows:-

Directors	Meeting Attendance
Dato' Lim Thean Keong (Chairman)	4/4
Thong Kooi Pin	4/4
Dato' Fam Lee Ee	4/4
Mohd Zaini Bin Noordin	4/4
Chin Chee Seong (Appointed on 14th August 2009)	1/4

(ii) Board Balance & Composition

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

The current Board has five (5) members comprising one (1) Executive Director, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors. The Board balance and composition complied with Rule 15.02 of the Listing Requirements of Bursa Securities for the ACE Market. The Board is satisfied that the current composition fairly reflects the investment of shareholders and a balanced view of the Group's business.

(iii) Supply of Information

The Board assumes the following responsibilities:-

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

(iii) Supply of Information(cont'd)

• reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

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

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

(iv) Appointment to the Board and Re-election

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

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

The present members of the Nomination Committee are as follows:-

Chairman

Mohd Zaini Bin Noordin - Independent Non-Executive Director

Members

Dato' Fam Lee Ee - Independent Non-Executive Director
Thong Kooi Pin - Non-Independent Non-Executive Director

There were three (3) Nomination Committee Meetings convened during the year 2009. The details of the members' attendance at the meetings are set out as follows:-

Members	Meeting Attendance
Mohd Zaini bin Noordin (Chairman)	3/3
Dato' Fam Lee Ee	3/3
Thong Kooi Pin (Appointed on 14 August 2009)	n/a

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

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

In addition, the Nomination Committee has established performance criteria and assesses the effectiveness of the Board, 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.

(v) Directors' Training

The Directors of the Company have attended conferences, seminar and training during the financial year ended 31 December 2009 in the area of financials, industry and technical update. For the year under review, the Board was also briefed on all relevant updates to the Listing Requirements of Bursa Securities for the ACE Market ("ACE Market Listing Requirements").

Amongst the trainings/seminars attended by the Directors during the financial year were:
1. Mobile Marketing & Advertising Conference;
2. Corporate Governance Guide: Towards Boardroom Excellence;
3. Bursa Technical Briefing on New Framework and the ACE Market Listing Requirements;
4. Asia Telecommunications Forum 2009;
5. Digital Taipei 2009;
6. FRS139 Financial Instruments;
7. Fifth Annual Director's Duties, Liabilities & Governance Reform; and
8. 2010 Budget Updates.

The Directors are encouraged to attend any relevant seminars and courses to further enhance their skills and knowledge to enable them to discharge their responsibilities more effectively.

B. Director Remuneration

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

Chairman

Dato' Fam Lee Ee - Independent Non-Executive Director

B. *Director Remuneration (cont'd)*

Members

Mohd Zaini Bin Noordin - Independent Non-Executive Director
Thong Kooi Pin - Non-Independent Non-Executive Director

The Remuneration Committee had convened two (2) meetings during the year 2009. The details of the members' attendance at the meetings are set out as follows:-

Members	Meeting Attendance
Dato' Fam Lee Ee (Chairman)	2/2
Mohd Zaini bin Noordin	2/2
Dato' Lim Thean Keong (Resigned on 14 August 2009)	2/2
Thong Kooi Pin (Appointed on 14 August 2009)	n/a

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

The aggregate Directors' remuneration paid or payable to all Directors of the Company categorized into appropriate components for the financial year ended 31 December 2009 are as follows:-

Remuneration packages	Executive Directors	Non-Executive Directors
	RM'000	**RM'000**
Salaries and other emoluments	685	-
Fees	12	53
Benefit in kind	-	-

Band of Remuneration	Executive Directors	Non-Executive Directors
RM50,001 – RM100,000	-	4
RM500,001 – RM690,000	1	-

C. *Relationship with Shareholders*

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

The Company's AGM also provides an effective mean of face to face communication with the shareholders where they are encouraged to participate in the open question and answering session during the AGM. Shareholders are notified of the meeting and provided with a copy of

D. Accountability and Audit

(i) Financial Reporting

the Company's Annual Report at least 21 days before the meeting in order for them to have sufficient time to read and understand about the Company before the actual event takes place.It is the Board's responsibility to ensure that the financial statements are prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards set by Malaysian Accounting Standard Board so as to present a balanced and fair assessment of the Group's financial position and prospects. The Directors are also responsible for keeping proper accounting records, safeguarding the assets of the Company and taking reasonable steps to prevent and enable detection of fraud and other irregularities.

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

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

(ii) Internal Control

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

The Statement on Internal Controls is set out in pages 18 and 19 of the Annual Report providing an overview of the state of internal controls within the Group.

(iii) Relationships With Auditors

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

ADDITIONAL COMPLIANCE INFORMATION

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

2. ***Options, Warrants or Convertibles Securities***
   During the financial year, the Company did not issue any warrants or convertible securities.

3. ***American Depository Receipt (ADR) or Global Depository Receipt (GDR)***
   The Company did not sponsor any ADR or GDR during the financial year ended 31 December 2009.

4. ***Imposition of Sanctions and/or Penalty***
   There was no sanction and/or penalty imposed on the Company and its subsidiaries involving Directors or management by the relevant regulatory bodies during the financial year ended 31 December 2009.

5. ***Non-Audit Fees***
   The amount of non-audit fees incurred for services rendered by the external auditors or company affiliated to the auditors' firm for the financial year ended 31 December 2009 amounted to approximately RM5,500.

6. ***Variation in Results***
   There were no deviation of 10% or more between the profit after taxation stated in the unaudited fourth quarter ended 31 December 2009 announced on 23 February 2010 and the audited financial statements of the Group for the financial year ended 31 December 2009.

7. ***Profit Forecast / Profit Guarantee***
   During the year under review, the Company did not provide any profit forecast / guarantee in any public documents.

8. ***Material Contract***
   There was no material contract entered into by the Company and its subsidiaries involving Directors and major shareholders' interest which was still subsisting at the end of the financial year ended 31 December 2009.

9. ***Recurrent Related Party Transaction Statement***
   There was no significant recurrent related party transaction of revenue or trading nature during the financial year under review.

10. ***Revaluation Policy***
    The Company has not adopted any policy of regular revaluations for its landed properties.

11. ***Corporate Social Responsibility Activities or Practices***
    Whilst the Group strives towards business excellence, it also views Corporate Social Responsibility as a continuing commitment to behave ethically and contribute to economic and social development. The Group has demonstrated responsibility in the workplace through instituted various in-house and external training programs to enhance its employees' career and personal development.

STATEMENT OF INTERNAL CONTROL

1. *Introduction*

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

2. *Board Responsibilities*

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

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

3. *Internal Control Framework*

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

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

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

- monthly monitoring of operational results against the budget for the Board's review and discussion;

- regular and comprehensive information provided to the Board, covering financial performance and key business indicators;

- regular updates of internal policies and procedures, to reflect changing risks or resolve operational deficiencies; and

- regular management meeting with all key personnel of respective department to address weaknesses and improve efficiency.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may have a material impact against the operations of the Group for the financial year ended 31 December 2009.

4. *Conclusion*

Although the Board is of the view that the present internal control is adequately in placed

4. Conclusion (cont'd)

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

DIRECTORS' REPORT

31 DECEMBER 2009

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 15 to the financial statements.

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

FINANCIAL RESULTS

	Group	Company
	2009	**2009**
	RM	**RM**
Profit for the year	3,020,599	1,636,916

DIVIDEND

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

The first and final dividend recommended by the Directors in respect of the year ended 31 December 2009 is 35 sen per share, tax exempt, totalling RM555,942.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no issue of shares or debentures during the financial year.

EMPLOYEES' SHARE OPTION SCHEME (ESOS)

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

The salient features and other terms of the ESOS are disclosed in Note 22 to the financial statements.

EMPLOYEE SHARE OPTIONS SCHEME (ESOS) (cont'd)

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

		Number of options over ordinary shares of RM0.10 each				
Date of offer	Option price	At 01.01.2009	Granted	Exercised	Forfeited	At 31.12.2009
21.09.2005	RM0.10	3,816,000	-	-	-	3,816,000
24.01.2006	RM0.26	45,000	-	-	-	45,000
21.08.2006	RM0.13	8,000	-	-	-	8,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders other than directors, who have been granted options to subscribe for less than 1,000,000 ordinary shares of RM0.10 each. The details of option holders granted options to subscribe for 1,000,000 or more ordinary shares of RM0.10 each during the financial year are as follows:

Name	Grant date	Exercise price (RM)	At 01.01.2009	Granted	Exercised	At 31.12.2009
Dato' Lim Thean Keong	21.09.2005	0.10	1,225,500	-	-	1,225,500
Datin Ching Wai Teng	21.09.2005	0.10	1,225,500	-	-	1,225,500
Hew Yoon Hsia	21.09.2005	0.10	1,365,000	-	-	1,365,000

DIRECTORS

The Directors in office since the date of the last report are:-

Dato' Lim Thean Keong
Dato' Fam Lee Ee
Mohd Zaini Bin Noordin
Thong Kooi Pin
Chin Chee Seong (Appointed 14/8/2009)

DIRECTORS (cont'd)

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

	Ordinary shares of RM0.10 each			
	At 01.01.2009	Bought	Sold	At 31.12.2009
The Company				
Direct Interest:				
Dato' Lim Thean Keong	54,656,300	1,115,200	-	55,771,500
Thong Kooi Pin	130,500	-	-	130,500

By virtue of their interests in the shares of the Company, the above Directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a 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 they are members, or with a company in which they have a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling 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.

OTHER STATUTORY INFORMATION

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

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

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

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

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

OTHER STATUTORY INFORMATION (cont'd)

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

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

(iv) not otherwise dealt in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

No contingent or other liabilities have become enforceable or are likely to become enforceable within the succeeding period of twelve months after the end of the financial year which in the opinion of the Directors will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors,

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

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

AUDITORS

The auditors, Messrs. Chanthiran & Co. have expressed their willingness to accept re-appointment.

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

DATO' LIM THEAN KEONG
DIRECTOR

THONG KOOI PIN
DIRECTOR

Kuala Lumpur
Date: 16 April 2010

STATEMENT BY DIRECTORS'

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

In the opinion of the Directors, the financial statements set out on pages 28 to 73 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2009 and of their financial performance and cash flows for the year then ended.

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

DATO' LIM THEAN KEONG
DIRECTOR

THONG KOOI PIN
DIRECTOR

Kuala Lumpur
Date: 16 April 2010

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

I, **THONG KOOI PIN**, being the director primarily responsible for the financial management of **M-MODE BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 28 to 73 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 abovenamed in Kuala Lumpur in the Wilayah Persekutuan on 16 April 2010

THONG KOOI PIN

Before me: DR.T.YOKHESWAREM PhD., MBA (NO.W 540)
Unit A11-1&2, Megan Avenue 1,
No.189, Jalan Tun Razak,
50400 Kuala Lumpur.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMEBERS OF M-MODE BERHAD

Report on The Financial Statements

We have audited the financial statements of M-Mode Berhad which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 28 to 73.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMEBERS OF M-MODE BERHAD (CONTINUED)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

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

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

CHANTHIRAN & CO.
AF 1385
Chartered Accountants

N. CHANTHIRAN A/L NAGAPPAN
2007/06/12 (J/PH)
Chartered Accountant

Kuala Lumpur
Date:16 April 2010

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

		Group		Company	
		2009	2008	2009	2008
	Note	RM	RM	RM	RM
Revenue	6	22,217,672	16,069,564	3,670,497	2,594,499
Direct costs	7	(12,164,634)	(8,384,009)	-	-
Gross profit		10,053,038	7,685,555	3,670,497	2,594,499
Other income		179,673	194,499	117,798	125,275
Selling and distribution expenses		(2,177,953)	(1,254,467)	(160,824)	(108,802)
Administrative expenses		(4,651,096)	(4,359,541)	(1,482,600)	(2,363,501)
Results from operating activities		3,403,662	2,266,046	2,144,871	247,471
Finance costs		(70,383)	(114,964)	-	-
Profit before tax	8	3,333,279	2,151,082	2,144,871	247,471
Tax income/(expense)	10	(99,244)	53,284	-	-
Profit from continuing operations		3,234,035	2,204,366	2,144,871	247,471
Discontinued operations					
Loss on discontinued operations	5	(213,436)	(108,650)	(507,955)	-
Profit for the year		3,020,599	2,095,716	1,636,916	247,471
Attributable to:					
Shareholders of the Company		3,020,599	2,150,748	1,636,916	247,471
Minority interests		-	(55,032)	-	-
		3,020,599	2,095,716	1,636,916	247,471
Earnings per share (sen)					
-basic	11 (a)	1 .90	1.35	-	-
-diluted	11 (b)	N/A	N/A	-	-

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

BALANCE SHEETS
AS AT 31 DECEMBER 2009

		Group		Company	
		2009	2008	2009	2008
	Note	RM	RM	RM	RM
ASSETS					
Property, Plant and Equipment	13	3,570,283	3,262,643	31,849	31,763
Intangible Assets	14	9,507,164	9,418,483	-	-
Investments in subsidiaries	15	-	-	6,756,593	7,264,547
Deferred Tax Assets	16	489,629	573,741	219,680	219,680
Total Non-Current Assets		13,567,076	13,254,867	7,008,122	7,515,990
Inventories	17	180,638	158,755	-	-
Trade receivables	18	1,787,511	1,802,298	-	-
Non-trade Receivables, deposits and prepayments	19	1,418,266	521,456	35,421	77,370
Amount owing by subsidiaries	20	-	-	5,002,248	5,118,572
Cash and cash equivalents	21	10,868,724	9,905,483	6,259,234	4,334,850
Total Current Assets		14,255,139	12,387,992	11,296,903	9,530,792
Total Assets		27,822,215	25,642,859	18,305,025	17,046,782
EQUITY					
Share Capital	22	15,884,050	15,884,050	15,884,050	15,884,050
Reserves	23	1,239,649	1,061,637	1,246,868	1,246,868
Retained Earnings / (Accumulated Losses)		7,500,066	4,479,467	1,042,236	(594,680)
Total Equity Attributable to Shareholders of the Company		24,623,765	21,425,154	18,173,154	16,536,238
Minority Interest		-	2 12,018	-	-
Total Equity		24,623,765	21,637,172	18,173,154	16,536,238
LIABILITIES					
Term loan and borrowings	24	1,329,015	1,515,738	-	-
Total Non-Current Liability		1,329,015	1,515,738	-	-
Trade payables	25	405,182	736,703	-	-
Term loan and borrowings	24	323,815	457,385	-	-
Non-trade payables and accruals	26	1,139,234	1,285,404	131,871	510,544
Amount owing to a related company	27	1,160	1,160	-	-
Taxation		44	9,297	-	-
Total Current Liabilities		1,869,435	2,489,949	131,871	510,544
Total Liabilities		3,198,450	4,005,687	131,871	510,544
Total Equity and Liabilities		27,822,215	25,642,859	18,305,025	17,046,782

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

		Attributable To Shareholders Of The Company							
		Non-distributable				Distributable			
	Note	Share capital	Share premium	Translation reserve	Share option reserve	Retained earnings	Total	Minority interest	Total equity
		RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2008		15,884,050	1,140,101	(124,646)	201,072	2,646,400	19,746,977	267,050	20,014,027
Foreign exchange differences on translation		-	-	(61,070)	-	-	(61,070)	-	(61,070)
Profit for the year		-	-	-	-	2,150,748	2,150,748	(55,032)	2,095,716
Total recognised income and expense for the year		-	-	(61,070)	-	2,150,748	2,089,678	(55,032)	2,034,646
Share issue cost		-	(93,820)	-	-	-	(93,820)	-	(93,820)
Dividend	12	-	-	-	-	(317,681)	(317,681)	-	(317,681)
At 31 December 2008/ 1 January 2009		15,884,050	1,046,281	(185,716)	201,072	4,479,467	21,425,154	212,018	21,637,172
Foreign exchange differences on translation		-	-	178,012	-	-	178,012	-	178,012
Profit for the year		-	-	-	-	3,020,599	3,020,599	-	3,020,599
Total recognised income and expense for the year		-	-	178,012	-	3,020,599	3,198,611	-	3,198,611
Acquisition of minority interest	5	-	-	-	-	-	-	(709)	(709)
Disposal of subsidiary	5	-	-	-	-	-		(211,309)	(211,309)
At 31 December 2009		15,884,050	1,046,281	(7,704)	201,072	7,500,066	24,623,765	-	24,623,765

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	Non-distributable			Distributable	
		Share capital	Share premium	Share option reserve	(Accumulated losses) / Retained Earnings	Total Equity
		RM	RM	RM	RM	RM
At 1 January 2008		15,884,050	1,139,616	201,072	(524,470)	16,700,268
Profit for the year		-	-	-	247,471	247,471
Share issue cost		-	(93,820)	-	-	(93,820)
Dividend	12	-	-	-	(317,681)	(317,681)
At 31 December 2008/ 1 January 2009		15,884,050	1,045,796	201,072	(594,680)	16,536,238
Profit for the year		-	-	-	1,636,916	1,636,916
At 31 December 2009		15,884,050	1,045,796	201,072	1,042,236	18,173,154

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	Group 2009	Group 2008	Company 2009	Company 2008
		RM	RM Restated	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax					
- continuing operations		3,333,279	2,151,082	2,144,871	247,471
- discontinued operations		(38,545)	(108,650)	-	-
		3,294,734	2,042,432	2,144,871	247,471
Adjustments for:					
Depreciation of property, plant & equipment		449,129	906,536	9,740	8,351
Allowance for doubtful debts		4,680	-	-	236,854
Inventories written off		4,851	-	-	-
Impairment loss on investment in subsidiary		-	-	-	1,079,945
Impairment loss on intangible assets		-	694,349	-	-
Amortisation of intangible assets		188,230	193,378	-	-
Intangible assets written off		140,000	-	-	-
Interest expense		70,383	114,964	-	-
Property, plant & equipment written off		61,078	3,252	916	-
Loss on disposal of subsidiary		213,436	1,233	507,955	-
Bad debt written-off		54,400	-	54,400	-
Interest Income		(179,673)	(187,447)	(117,798)	(125,264)
Other non-cash movement		(267,476)	(300,370)	-	-
Operating profit before working capital changes		4,033,772	3,468,327	2,600,084	1,447,357
Changes in working capital:					
Inventories		(21,883)	(153,904)	-	-
Receivables, deposits and prepayments		(882,023)	(744,144)	(12,451)	(1,064)
Inter-company balances		-	(840)	116,324	(2,696,245)
Payables and accruals		(477,691)	1,131,263	(378,673)	482,655
Cash generated from/(used in) operations		2,652,175	3,700,702	2,325,284	(767,297)
Interest income		179,673	187,447	117,798	125,264
Interest paid		(70,383)	(114,964)	-	-
Tax paid		(24,385)	(1,801)	-	-
Net cash generated from/(used in) operating activities		2,737,080	3,771,384	2,443,082	(642,033)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiary, net of cash acquired	5	(1)	-	(1)	(426,872)
Disposal of subsidiary	5	(18,998)	-	(507,955)	-
Purchase of property, plant and equipment		(617,847)	(1,121,466)	(10,742)	(20,169)
Proceeds from disposal of property, plant and equipment		-	1,146	-	-
Purchase of intangible assets		(616,700)	(2,590,491)	-	-
Dividend paid to shareholders		-	(317,681)	-	(317,681)
Net cash used in investing activities		(1,253,546)	(4,028,492)	(518,698)	(764,722)

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

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

	Note	Group 2009	Group 2008	Company 2009	Company 2008
		RM	RM Restated	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase/(Decrease) in pledged deposits		379,772	(379,772)	-	-
Share issue cost		-	(93,820)	-	(93,820)
Proceeds from drawdown of term loan		-	365,380	-	-
Repayment of loan and borrowings		(165,051)	(92,119)	-	-
Net cash generated from/(used in) financing activities		214,721	(200,331)	-	(93,820)
Net increase/(decrease) in cash and cash equivalents		1,698,255	(457,439)	1,924,384	(1,500,575)
Cash and cash equivalents at beginning of year		9,170,469	9,627,908	4,334,850	5,835,425
Cash and cash equivalents at end of year	(i)	10,868,724	9,170,469	6,259,234	4,334,850

i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group 2009	Group 2008	Company 2009	Company 2008
	RM	RM	RM	RM
Deposits placed with licensed banks	9,200,000	8,395,969	6,100,000	4,221,208
Bank and cash balances	1,668,724	1,509,514	159,234	113,642
Bank overdraft	-	(355,242)	-	-
	10,868,724	9,550,241	6,259,234	4,334,850
Pledged deposits	-	(379,772)	-	-
	10,868,724	9,170,469	6,259,234	4,334,850

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

M-Mode Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office
Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

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

The consolidated financial statements as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2009 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 15.

The financial statements were approved by the Board of Directors on 16 April 2010.

1. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards ("FRS"), generally accepted accounting principles and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the ACE Market of Bursa Malaysia Securities Berhad.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRS, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009

- FRS 8, Operating Segments
- FRS 4, Insurance Contracts
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

and FRS 127, Consolidated and Separate Financial Statements : Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate

- Amendments to FRS 2, Share-based Payment : Vesting Conditions and Cancellations
- Amendments to FRS 132, Financial Instruments : Presentation and FRS 101, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 139, Financial Instruments : Recognition and Measurement, FRS 7, Financial Instruments : Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
- Improvement to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes
- IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

FRS, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 15, Agreements for the Construction of Real Estate
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distribution of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments and interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4, IC Interpretation 13 and IC Interpretation 14 which are not applicable to the Group and the Company.

- from the annual period beginning 1 January 2011 for those standards, amendments and interpretations that will be effective for annual periods beginning on or after 1 July 2010 except for IC Interpretation 12 and 15 which are not applicable to the Group and the Company.

The initial application of standards, an amendment or an interpretation, which will be

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

applied prospectively, is not expected to have any financial impact to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

Initial application of a standard, an amendment or an interpretation, which may have material impacts to the financial statements is disclosed below:

FRS 8, Operating segments

FRS 8 replaces FRS $114_{2004,}$ Segment Reporting and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and the geographical segments (Note 4). The Directors are of the opinion that the segment information disclosed in Note 4 reflects the operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group. Therefore, under FRS 8, the Group will continue to present segment information in respect of its operating segments in a similar manner.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

2. Significant accounting policies

(a) Basis of consolidation

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

(i) Subsidiaries

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

Under the purchase method of accounting, the financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in disposal group that is classified as held for sale).

(ii) Changes in Group composition

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

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

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

(iii) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(iii) Minority interest (cont'd)

changes in equity to equity holders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(iv) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

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

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

(c) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and the difference is charged to income statement as "other income" or "other operating expenses" respectively. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group

2. Significant accounting policies (cont'd)

(c) Property, plant and equipment (cont'd)

(ii) Subsequent costs (cont'd)

and its cost can be measured reliably. The carrying amount of the replaced parts are recognised in the income statements as incurred. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

Building	50 years
Computer equipment	5 years
Renovation	10 years
Motor vehicles	5 years
Office equipment and furniture & fittings	10 years
Research and development equipment	5-10 years
Content library	2 years

The depreciable amount is determined after deducting the residual value.

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

(d) Leased assets

Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

2. Significant accounting policies (cont'd)

(d) Leased assets (cont'd)

Operating lease (cont'd)

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid land lease payments, except for leasehold land classified as investment property.

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

(e) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For business acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisitions is recognised immediately in income statements.

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

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

(ii) Acquisition of minority interest

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

2. Significant accounting policies (cont'd)

(e) Intangible assets (cont'd)

(iii) Research and development

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

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

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

(iv) Other intangible assets

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

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

(v) Subsequent expenditure

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

(vi) Amortisation

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

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

(f) Inventories

Inventories are measured at the lower of cost and net realisable value with weighted average cost being the main basis for cost. Cost comprises

2. Significant accounting policies (cont'd)

(f) Inventories (cont'd)

the original purchase price plus incidentals in bringing the inventories to their present locations and conditions. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Receivables and deposits

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

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

Receivables and deposits are not held for the purpose of trading.

(h) Cash and cash equivalents

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

(i) Impairment of assets

The carrying amounts of assets except for financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

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

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

2. Significant accounting policies (cont'd)

(i) Impairment of assets (cont'd)

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

(j) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

Incremental costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net directly of attributable costs and the carrying amount of the treasury shares is recognised in equity.

(k) Loans and borrowings

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

2. Significant accounting policies (cont'd)

(l) Employee benefits

(i) Short term employee benefits

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

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

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

(ii) Share-based payment transactions

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

(iii) Termination benefits

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

(m) Provisions

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

2. Significant accounting policies (cont'd)

(n) Contingent liabilities

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

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

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

(o) Payables and accruals

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

(p) Revenue Recognition

(i) Sales of goods

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

(ii) Provision of mobile contents and data application services

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

(iii) Dividend income

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

2. Significant accounting policies (cont'd)

(q) Interest income and borrowing costs

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

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred.

(r) Tax expense

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

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

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

Deferred tax liability is recognised for all taxable temporary differences.

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

(s) Earnings per share

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

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in

2. Significant accounting policies (cont'd)

(t) Segment reporting (cont'd)

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

3. Financial risk management objectives and policies

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

Financial risk management is carried out through risk reviews, internal control systems, standard operating procedures, investment strategies and adherence to the rules and regulations as stipulated by the Board of Directors. The Group regularly reviews these risks and approves policies for managing each of these risks.

The Group does not trade in derivative financial instruments.

(a) Market risk

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

(b) Credit risk

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

(c) Liquidity and cash flow risks

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

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

3. Financial risk management objectives and policies (cont'd)

(d) Interest rate risk

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

The Group's interest rate risk arises primarily from interest-bearing borrowings. Loans and borrowings at floating rates expose the Group to cash flow interest rate risk. Loans and borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

(e) Foreign currency risk

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

4. Segmental information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly asset and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and tax assets and liabilities.

Business segments

The Group's main business segment is contents and value added services.

Other operations include investment holding activity.

The comparative segmental information has been re-presented to show the discontinued operations separately from continuing operations due to the disposal of a subsidiary as mentioned in Note 5 to the financial statements.

4. **Segmental information(cont'd)**

Geographical segments

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

2009	Contents & value added services	Contents & value added services (Discontinued)	Investment holding	Elimination	Consolidated	(Less)/Add: Contents & value added services (Discontinued)	Continuing operations
	RM	RM	RM	RM	RM	RM	RM
Total external revenue	22,217,672	121,837	-	-	22,339,509	(121,837)	22,217,672
Inter-segment revenue	349,483	-	3,670,497	(4,019,980)	-	-	-
Total segment revenue	22,567,155	121,837	3,670,497	(4,019,980)	22,339,509	(121,837)	22,217,672
Segment results	4,929,290	(38,396)	1,636,915	(3,162,543)	3,365,266	38,396	3,403,662
Interest expense					(70,532)	149	(70,383)
Profit before tax					3,294,734	38,545	3,333,279
Tax expense					(99,244)	-	(99,244)
Loss on sale of discontinued operations					(174,891)	174,891	-
Profit for the year					3,020,599	213,436	3,234,035

2009	Contents & value added services	Contents & value added services (Discontinued)	Investment holding	Elimination	Consolidated
	RM	RM	RM	RM	RM
Segment/Total assets	15,310,753	-	18,305,025	(5,793,563)	27,822,215
Segment/Total liabilities	8,070,518	-	131,872	(5,003,940)	3,198,450
Depreciation and amortisation	598,228	29,392	9,740	-	637,360
Non-cash expenses other than depreciation and amortisation	68,224	-	-	-	68,224

4. **Segmental information(cont'd)**

2008 Restated	Contents & value added services	Contents & value added services (Discontinued)	Investment holding	Elimination	Consolidated	(Less)/Add: Contents & value added services (Discontinued)	Continuing operations
	RM	RM	RM	RM	RM	RM	RM
Revenue from external customers	16,069,564	59,182	-	-	16,128,746	(59,182)	16,069,564
Inter-segment revenue	60,000	-	2,594,499	(2,654,499)	-	-	-
Total revenue	16,129,564	59,182	2,594,499	(2,654,499)	16,128,746	(59,182)	16,069,564
Segment results	3,896,125	(108,650)	1,327,416	(2,957,495)	2,157,396	108,650	2,266,046
Interest expense					(114,964)	-	(114,964)
Profit before tax					2,042,432	108,650	2,151,082
Tax Income					53,284	-	53,284
Profit for the year					2,095,716	108,650	2,204,366
Segment/Total assets	15,035,133	-	17,046,782	(6,439,056)	25,642,859		
Segment/Total liabilities	8,873,476	-	510,544	(5,378,333)	4,005,687		
Depreciation and amortisation	1,088,650	2,913	8,351	-	1,099,914		
Non-cash expenses other than depreciation and amortisation	300,370	-	-	-	300,370		

5. Acquisition and disposal of subsidiaries

Acquisition of subsidiary

On 4 June 2009, the Group acquired the remaining issued and paid-up capital of M-Mode Media Sdn. Bhd. (Formerly known as M-Mode Technology Sdn. Bhd.) comprising 1 ordinary share of RM1 each for total purchase consideration of RM1.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date.

Group	Recognised values on acquisition
	RM
Receivables, deposits and prepayments	625
Payables and accruals	(8,809)
Goodwill on acquisition	8,183
Consideration paid, discharged by cash	(1)
Cash acquired	-
Net cash outflow	**(1)**

Disposal of subsidiary

On 14 August 2009, the Group had disposed off its 50% equity interest in PT M-Mode Indo for a total consideration of RM1. Subsequent to the disposal, PT M-Mode ceased to be a subsidiary of the Company. The financial results of PT M-Mode Indo is presented separately on the consolidated income statement as discontinued operations.

The results of the discontinued operations are as follows:

	Contents & value added services 2009	Contents & value added services 2008
	RM	RM
Revenue	121,837	59,182
Cost of sales	(116,486)	(49,195)
Gross profit	5,351	9,987
Administrative expenses	(43,747)	(118,637)
Operating loss	(38,396)	(108,650)
Finance cost	(149)	-
Loss before tax	(38,545)	(108,650)
Tax expense	-	-
Loss from discontinued operations	(38,545)	(108,650)
Loss on disposal of discontinued operations	(174,891)	-
Loss for the year from discontinued operations	**(213,436)**	**(108,650)**

5. Acquisition and disposal of subsidiaries (cont'd)

Disposal of subsidiary (cont'd)

The assets and liabilities of the subsidiary company disposed are as follows:

Group	2009
	RM
Property, plant and equipment	42,079
Intangible assets	124,414
Receivables, deposits and prepayments	74,287
Cash and bank balances	18,999
Payables and accruals	(84,887)
Net assets disposed of	174,892
Proceeds from disposal of subsidiary company	(1)
Loss on disposal of subsidiary company	174,891
Proceeds from disposal of subsidiary company	1
Cash and cash equivalents of subdidiary company disposed of	(18,999)
Net cash outflow	(18,998)

6. Revenue

	2009	2008
	RM	RM
Group		**Restated**
Rendering of services	22,217,672	16,069,564
Company		
Management fees	970,497	94,499
Dividend income	2,700,000	2,500,000
	3,670,497	2,594,499

7. Direct costs

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

8. Profit before tax

Profit before tax is stated after charging:-

	Note	Group 2009 RM	Group 2008 RM Restated	Company 2009 RM	Company 2008 RM
Depreciation	13	449,129	906,536	9,740	8,351
Allowance for doubtful debts		4,680	-	-	236,854
Auditors' remuneration					
- current		24,828	18,400	5,500	4,400
- underprovision in prior year		1,300	4,385	1,300	-
Bad debt written-off		54,400	-	54,400	-
Rental of premises		66,302	87,017	-	16,417
Personnel expenses (including key management personnel)					
- contribution to Employees' Provident Fund		245,800	224,875	105,305	72,196
- wages, salaries and others		2,393,556	1,681,971	1,069,767	574,173
Loss on foreign exchange		50	998	-	-
Impairment loss on investment in subsidiary	15	-	-	-	1,079,945
Impairment loss on intangible assets	14	-	694,349	-	-
Loss on disposal of property, plant and equipment		-	1,233	-	-
Property, plant and equipment written off		61,078	3,252	916	-
Interest expense		70,383	114,964	-	-
Amortisation of intangible assets	14	188,230	193,378	-	-
Intangible assets written off	14	140,000	-	-	-
Inventories written off		4,851	-	-	-
and after crediting:					
Interest income		179,673	187,447	117,798	125,264
Gain on foreign exchange		-	13,325	-	-

9. Key management personnel compensation

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

	Group		Company	
	2009	2008	2009	2008
	RM	RM Restated	RM	RM
Directors				
- Fees	65,000	52,500	65,000	52,500
- Remuneration	627,420	340,953	552,300	300,320
- Defined contribution plan	57,600	31,820	57,600	31,820
Total short-term employee benefits	750,020	425,273	674,900	384,640

Other key management personnel comprises persons other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

10. Tax expense/(income)

	Group		Company	
	2009	2008	2009	2008
	RM	RM Restated	RM	RM
Income tax	15,132	10,043	-	-
Deferred tax	84,112	(63,327)	-	-
	99,244	(53,284)	-	-
Income tax				
Current year	15,132	10,043	-	-
Deferred tax				
Origination and reversal of temporary differences (Note 16)	84,112	(63,327)	-	-
	99,244	(53,284)	-	-

10. Tax expense/(income) (cont'd)

Reconciliation of tax expense

	Group		Company	
	2009	2008	2009	2008
	RM	RM Restated	RM	RM
Profit before tax	3,333,279	2,151,082	2,144,871	247,471
Tax calculated at the Malaysian tax rate of 25% (2008: 26%)*	833,320	559,281	536,218	64,342
Effect of lower tax rate**	(189,678)	(225,239)	-	-
Tax effects of:				
- expenses not deductible for tax purposes	35,024	40,386	23,798	27,754
- deferred tax assets not recognised	(178,666)	(69,886)	(184,266)	-
- tax rate in foreign jurisdictions	-	12,742	-	-
- income not subject to tax	(935,887)	(688,639)	(675,000)	(650,000)
- utilisation of previously unrecognised deferred tax assets	-	(97,054)	-	-
- other items	535,131	415,125	299,250	557,904
	99,244	(53,284)	-	-

* The corporate tax rates are 25% for year of assessment 2009 and subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

** With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

The subsidiary company, M-Mode Mobile Sdn. Bhd. has no tax charge during the financial year as the subsidiary company has been awarded Multimedia Super Corridor status by the Government of Malaysia in 2003. Accordingly, there is no tax charge on the business income of the subsidiary company in 2009 and 2008 as the subsidiary company has been granted pioneer status under the Promotion of Investments (Amendment) Act, 1986.

11. Earnings per share

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

	2009	2008
Profit for the year	RM3,020,599	RM2,150,748
Weighted average number of ordinary shares in issue	158,840,500	158,840,500
Basic earnings per share (sen)	1.90	1.35

(b) Diluted

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

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

12. Dividends

Dividend recognised in the previous year by the Company is as follow:

	Sen per share	Total amount	Date of payment
Interim, tax exempt - 2008	0.20	RM317,681	10 March 2008

After the balance sheet date, the following dividend was proposed by the Directors. This dividend will be recognised in the subsequent financial reports upon approval by the share holders.

	Sen per share	Total amount
First and final, tax exempt	0.35	RM555,942

13. Property, plant and equipment

Group 2009	Building	Computer equipment	Renovation	Motor vehicles	Office equipment, furniture & fittings	Research & development equipment	Content library	Total
	RM	RM	RM	RM	RM	RM	RM	RM
Cost								
At 01.01.2009	2,204,224	472,336	256,314	141,703	462,236	1,964,139	2,598,815	**8,099,767**
Additions	-	38,268	28,500	343,619	35,929	197,743	173,788	817,847
Written-off	-	(136,385)	-	-	(2,430)	-	-	(138,815)
At 31.12.2009	2,204,224	374,219	284,814	485,322	495,735	2,161,882	2,772,603	8,778,799
Accumulated depreciation								
At 01.01.2009	77,260	258,465	43,706	141,702	180,451	1,615,492	2,520,048	4,837,124
Charge for the year	44,084	51,009	27,531	11,454	42,456	173,294	99,301	449,129
Written-off	-	(77,207)	-	-	(530)	-	-	(77,737)
At 31.12.2009	121,344	232,267	71,237	153,156	222,377	1,788,786	2,619,349	5,208,516
Carrying amount								
At 31.12.2009	2,082,880	141,952	213,577	332,166	273,358	373,096	153,254	3,570,283

13. Property, plant and equipment (cont'd)

Group 2008	Building	Computer equipment	Renovation	Motor vehicles	Office equipment, furniture & fittings	Research & development equipment	Content library	Total
	RM	RM	RM	RM	RM	RM	RM	RM
Cost								
At 01.01.2008	2,010,950	356,084	53,266	141,703	157,208	1,792,423	2,527,907	7,039,541
Additions	193,274	127,751	203,048	-	307,768	218,717	70,908	1,121,466
Disposals	-	(3,499)	-	-	(2,145)	(1,080)	-	(6,724)
Written-off	-	(8,000)	-	-	(595)	(45,921)	-	(54,516)
At 31.12.2008	2,204,224	472,336	256,314	141,703	462,236	1,964,139	2,598,815	8,099,767
Accumulated depreciation								
At 01.01.2008	-	127,026	19,565	141,702	44,550	1,274,218	2,379,136	3,986,197
Charge for the year	77,260	142,180	24,141	-	137,412	384,631	140,912	906,536
Disposals	-	(2,741)	-	-	(1,109)	(495)	-	(4,345)
Written-off	-	(8,000)	-	-	(402)	(42,862)	-	(51,264)
At 31.12.2008	77,260	258,465	43,706	141,702	180,451	1,615,492	2,520,048	4,837,124
Carrying amount								
At 31.12.2008	2,126,964	213,871	212,608	1	281,785	348,647	78,767	3,262,643

13. Property, plant and equipment (cont'd)

Company 2009	Computer equipment RM	Office equipment RM	Furniture & fixtures RM	Total RM
Cost				
At 01.01.2009	37,562	2,964	12,032	52,558
Additions	7,350	3,243	149	10,742
Writte off	-	(999)	-	(999)
At 31.12.2009	44,912	5,208	12,181	62,301
Accumulated depreciation				
At 01.01.2009	19,098	272	1,425	20,795
Charge for the year	8,005	521	1,214	9,740
Writte off	-	(83)	-	(83)
At 31.12.2009	27,103	710	2,639	30,452
Carrying amount				
At 31.12.2009	17,809	4,498	9,542	31,849

Company 2008	Computer equipment RM	Office equipment RM	Furniture & fixtures RM	Total RM
Cost				
At 01.01.2008	29,887	435	2,067	32,389
Additions	7,675	2,529	9,965	20,169
At 31.12.2008	37,562	2,964	12,032	52,558
Accumulated depreciation				
At 01.01.2008	12,088	87	269	12,444
Charge for the year	7,010	185	1,156	8,351
At 31.12.2008	19,098	272	1,425	20,795
Carrying amount				
At 31.12.2008	18,464	2,692	10,607	31,763

The property has been charged as security for a term loan facility provided to a subsidiary as disclosed under Note 24.

14. Intangible assets

	Goodwill	Development costs	Total
	RM	RM	RM
Group 2009			
At 01.01.2009	6,031,410	3,387,073	9,418,483
Disposal of subsidiary	-	(199,789)	(199,789)
Additions	-	616,700	616,700
Write off	-	(140,000)	(140,000)
Amortisation	-	(188,230)	(188,230)
At 31.12.2009	6,031,410	3,475,754	9,507,164
Cost	6,725,759	4,182,760	10,908,519
Accumulated amortisation	-	(707,006)	(707,006)
Accumulated impairment	(694,349)	-	(694,349)
Carrying amount	6,031,410	3,475,754	9,507,164
Group 2008			
At 01.01.2008	5,117,892	2,597,827	7,715,719
Acquisition of subsidiaries	1,607,867	-	1,607,867
Additions	-	982,624	982,624
Amortisation	-	(193,378)	(193,378)
Impairment loss	(694,349)	-	(694,349)
At 31.12.2008	6,031,410	3,387,073	9,418,483
Cost	6,725,759	3,905,849	10,631,608
Accumulated amortisation	-	(518,776)	(518,776)
Accumulated impairment	(694,349)	-	(694,349)
Carrying amount	6,031,410	3,387,073	9,418,483

15. Investments in subsidiaries

	Company 2009 RM	Company 2008 RM
Unquoted shares, at cost		
At 1 January	8,344,492	7,917,620
Acquisition of subsidiary (Note 5)	1	426,872
Disposal of subsidiary (Note 5)	(507,955)	-
Increase investment in subsidiaries	-	-
	7,836,538	8,344,492
Less: Impairment loss	(1,079,945)	(1,079,945)
	6,756,593	7,264,547

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

Name of Company	Country of Incorporation	Principal Activities	Effective Ownership interest 2009 %	Effective Ownership interest 2008 %
M-Mode Mobile Sdn. Bhd.*	Malaysia	Provision of mobile contents and data application services	100	100
Mobile Multimedia Sdn. Bhd.*	Malaysia	Provision of mobile contents and data application services	100	100
Dalian M-Mode Dreamfun Technology Ltd.*	China	In process of liquidation	100	100
Cede Communications Sdn. Bhd.*	Malaysia	Production and distribution of magazines	100	100
M-Mode Media Sdn. Bhd. (formerly known as M-Mode Technology Sdn. Bhd.)*	Malaysia	Advertisement Agent	100	50
M-Mode Systems Sdn. Bhd.*	Malaysia	Provision of mobile contents and data application services	100	100
PT M-Mode Indo*	Republic of Indonesia	Provision of mobile contents and data application services	-	50
Beijing M-Mode Digital Technology Co., Ltd.*	China	Provision of mobile contents and data application services	100	100

* Audited by other firm of accountants.

15. Investments in subsidiaries (cont'd)

On 4 June 2009, the Group acquired the remaining issued and paid up capital of M-Mode Media Sdn. Bhd. comprising of 1 ordinary share of RM1 each for a total purchase consideration of RM1.

The acquisition of M-Mode Media Sdn. Bhd. does not have any material effect on the earnings and net assets of the Group for the financial year ended 31 December 2009. M-Mode Media Sdn. Bhd. has become a wholly owned subsidiary of the Company.

On 14 August 2009, the Group had disposed off its 50% equity interest in PT M-Mode Indo for a total consideration of RM1. Subsequent to the disposal, PT M-Mode ceased to be a subsidiary of the Company.

The audit report on the financial statements of Mobile Multimedia Sdn. Bhd., Cede Communications Sdn. Bhd., M-Mode Media Sdn. Bhd. and M-Mode Systems Sdn. Bhd. included an emphasis of matter on going concern.

16. Deferred tax assets

Deferred tax assets are attributable to the following:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Property, plant and equipment	(1,048)	(1,481)	-	-
Unutilised tax losses	490,677	575,222	219,680	219,680
At 31 December	489,629	573,741	219,680	219,680

Group	At 1.1.2008	Recognised in income statement	Acquired in business combination	At 31.12.2008	Recognised in income statement	At 31.12.2009
	RM	RM	RM	RM	RM	RM
Property, plant and equipment-capital allowances	-	(1,481)	-	(1,481)	433	(1,048)
Unutilised tax losses	271,114	64,808	239,300	575,222	(84,545)	490,677
	271,114	63,327	239,300	573,741	(84,112)	489,629

16. Deferred tax assets (cont'd)

Company	At 1.1.2008	Recognised in income statement	At 31.12.2008	Recognised in income statement	At 31.12.2009
	RM	RM	RM	RM	RM
Unutilised tax losses	219,680	-	219,680	-	219,680

17. Inventories

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Trading items, at cost	180,638	158,755	-	-

18. Trade receivables

The currency exposure profile of trade receivables is as follows:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Currency				
- Ringgit Malaysia	1,787,511	1,792,763	-	-
- Indonesian Rupiah	-	9,535	-	-
	1,787,511	1,802,298	-	-

19. Non-trade receivables, deposits and prepayments

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Non-trade receivables	243,132	255,903	30,782	72,415
Deposits	80,458	107,621	4,219	4,555
Prepayments	1,094,676	157,932	420	400
	1,418,266	521,456	35,421	77,370

19. Non-trade receivables, deposits and prepayments (cont'd)

The currency exposure profile of non-trade receivables, deposits and prepayments is as follows:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Currency				
- Ringgit Malaysia	1,405,795	474,039	35,421	77,370
- Renminbi	12,471	15,437	-	-
- Indonesian Rupiah	-	31,980	-	-
	1,418,266	521,456	35,421	77,370

20. Amount owing by subsidiaries

	Company	
	2009	2008
	RM	RM
Amount receivable	5,239,102	5.355,426
Allowance for doubtful debts	(236,854)	(236,854)
	5,002,248	5,118,572

The amount owing by subsidiaries is unsecured, interest free and has no fixed terms of repayment.

21. Cash and cash equivalents

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Deposits placed with licensed banks	9,200,000	8,395,969	6,100,000	4,221,208
Bank and cash balances	1,668,724	1,509,514	159,234	113,642
	10,868,724	9,905,483	6,259,234	4,334,850

21. Cash and cash equivalents (cont'd)

The currency exposure profile of cash and cash equivalents is as follows:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Currency				
- Ringgit Malaysia	10,739,396	9,722,333	6,259,234	4,334,850
- Renminbi	129,328	170,145	-	-
- Indonesian Rupiah	-	13,005	-	-
	10,868,724	9,905,483	6,259,234	4,334,850

The deposits placed with licensed banks of the Group totalling RM Nil (2008: RM379,772) were pledged as security for credit facilities granted to a subsidiary.

22. Share capital

	Group and Company	
	2009	2008
	RM	RM
Ordinary shares of RM0.10 each		
Authorised:		
At 1 January / 31 December	25,000,000	25,000,000
Issued and paid up:		
At 1 January / 31 December	15,884,050	15,884,050

Employee Share Options Scheme ("ESOS")

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

The salient features of the ESOS are as follows:

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

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

22. Share capital (cont'd)

Employee Share Options Scheme ("ESOS") (cont'd)

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

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

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

23. Reserves

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Share premium	1,046,281	1,046,281	1,045,796	1,045,796
Share option reserve	201,072	201,072	201,072	201,072
Translation reserve	(7,704)	(185,716)	-	-
	1,239,649	1,061,637	1,246,868	1,246,868

Share option reserve

The share option reserve is in regard to the ESOS as mentioned in Note 22 to the financial statements.

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

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

23. Reserves (cont'd)

Share option reserve (cont'd)

The number and weighted average exercise price per share of the share options granted in 2009 are as follows:

	Number of options	Weighted average exercise price per share Sen
Outstanding at the beginning of the year	3,869,000	10.19
Granted during the year	-	-
Forfeited / (Resigned) during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year *	3,869,000	10.91
Exercisable at the end of the year	3,869,000	10.91

*The weighted average remaining contractual life is approximately 2 years.

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

	2009	2008
Weighted average share price at measurement date	NIL	NIL
Weighted average exercise price	NIL	NIL
Expected volatility (annualised standard deviation on share price)	NIL	NIL
Weighted average remaining options life	NIL	NIL
Expected dividend	NIL	NIL
Risk-free interest rate	NIL	NIL

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

No other feature is incorporated in the measurement of fair value.

24. Term loan and borrowings

	Group 2009	Group 2008	Company 2009	Company 2008
	RM	RM	RM	RM
Non-current				
Secured				
Term loan	1,329,015	1,515,738	-	-
Current				
Secured				
Term loan	140,482	102,143	-	-
Bank overdraft	-	355,242	-	-
Hire purchase	183,333	-	-	-
	323,815	457,385	-	-
	1,652,830	1,973,123	-	-

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount	Under 1 year	1-2 years	2-5 years	Over 5 years
		RM	RM	RM	RM	RM
2009						
Secured term loan	2016	1,469,497	140,482	143,485	480,870	704,660
2008						
Secured term loan	2016	1,617,881	102,143	142,897	478,890	893,951

Security

The term loan of the Group is secured by a legal charge over the property of the Group and is guaranteed by the Company.

The bank overdraft facility of the Group included in the previous year was secured by the deposits with licensed bank of the Group and joint and several guarantees by the directors of a subsidiary.

The term loan bears interest at 1.25% (2008: 1.25%) per annum below the lender's base lending rate and is repayable in 120 monthly installments.

25. Trade payables

The currency exposure profile of trade payables is as follows:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Currency				
- Ringgit Malaysia	405,182	730,012	-	-
- Indonesian Rupiah	-	6,691	-	-
	405,182	736,703	-	-

26. Non-trade payables and accruals

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Non-trade payables	169,930	526,091	11,843	392,312
Accrued liabilities	969,304	759,313	120,028	118,232
	1,139,234	1,285,404	131,871	510,544

The currency exposure profile of non-trade payables and accruals is as follows:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Currency				
- Ringgit Malaysia	1,129,390	1,241,576	131,871	510,544
- Renminbi	9,844	11,576	-	-
- Indonesian Rupiah	-	32,252	-	-
	1,139,234	1,285,404	131,871	510,544

27. Amount owing to a related company

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

28. Financial instruments

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

Group 2009	Average effective interest rate	Total	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
		RM	RM	RM	RM	RM	RM	RM
Financial assets								
Deposits placed with licensed banks	2.10 %	9,200,000	9,200,000	-	-	-	-	-
Financial liabilities								
Term loan – secured	4.30 %	1,469,497	140,482	143,485	151,579	160,129	169,162	704,660

Group 2008	Average effective interest rate	Total	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
		RM	RM	RM	RM	RM	RM	RM
Financial assets								
Deposits placed with licensed banks	3.10 %	8,395,969	8,395,969	-	-	-	-	-
Financial liabilities								
Bank overdrafts – secured	8.75 %	355,242	355,242	-	-	-	-	-
Term loan – secured	5.50 %	1,617,881	102,143	142,897	150,957	159,473	168,460	893,951
		1,973,123	457,385	142,897	150,957	159,473	168,460	893,951

28. Financial instruments (cont'd)

Effective interest rates and repricing analysis (cont'd)

Company 2008	Average effective interest rate	Total	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
		RM	RM	RM	RM	RM	RM	RM
Financial assets								
Deposits placed with licensed banks	2.10 %	6,100,000	6,100,000	-	-	--	-	

Company 2008	Average effective interest rate	Total	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
		RM	RM	RM	RM	RM	RM	RM
Financial assets								
Deposits placed with licensed banks	3.10 %	4,221,208	4,221,208	-	-	--	-	

Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, payables and accruals, and short-term borrowings, approximate fair values due to the relatively short-term nature of these financial instruments.

The Company provides financial guarantee to a bank for credit facilities extended to a subsidiary. The fair value of such financial guarantee is not expected to be material as the probability of the subsidiary defaulting on the credit lines is remote.

The fair values of other financial liability, together with the carrying amounts shown in the balance sheets, are as follows:

Group	2009 Carrying amount	2009 Fair value	2008 Carrying amount	2008 Fair value
	RM	RM	RM	RM
Financial liability				
Term loan - secured	1,469,497	1,469,497	1,617,881	1,617,881

Estimation of fair value

The secured term loan approximates its carrying value as the interest rate of the instrument approximates market rate at year end.

29. Significant related party disclosures

For the purpose of these financial statements, parties are considered to be related to the Group or the Company 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 Group or 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 includes all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Holding company				
Management fees income	-	-	970,497	94,499
Subsidiaries				
Dividend income	-	-	2,700,000	2,500,000

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

Balances with subsidiary companies at balance sheet date are disclosed in Notes 20 to the financial statements.

LIST OF PROPERTIES
31 DECEMBER 2009

No		
1.	**Proprietor**	**M-Mode Mobile Sdn Bhd**
	Titlel/Location	Geran 37731/M1B/19/307, No. Petak 307, Tingkat 19, Bangunan M1 for Lot No. 144, Seksyen 44, Bandar Kuala Lumpur, Daerah Wilayah Persekutuan.
	Description/Existing Use	A Parcel of Office/Office
	Tenure	Freehold
	Approximate Age of Buildings	15 Years
	Built-Up Area (sq. ft.)	5,435
	Net Book Value (RM)	1,930,512
	Date of Acquisition	9-Aug-2007
2.	**Proprietor**	**Cede Communications Sdn Bhd**
	Titlel/Location	H.S. (M) 12449, P.T. No. 26310 in the Mukim of Cheras, District of Hulu Langat, State of Selangor Darul Ehsan. Parcel No. 35-2-F
	Description/Existing Use	A Parcel of Office/Vacant
	Tenure	Freehold
	Approximate Age of Buildings	11 Years
	Built-Up Area (sq. ft.)	783
	Net Book Value (RM)	57,588
	Date of Acquisition	22-May-1999
3.	**Proprietor**	**Cede Communications Sdn Bhd**
	Titlel/Location	H.S. (M) 12449, P.T. No. 26310 in the Mukim of Cheras, District of Hulu Langat, State of Selangor Darul Ehsan. Parcel No. 35-2-B
	Description/Existing Use	A Parcel of Office/Vacant
	Tenure	Freehold
	Approximate Age of Buildings	11 Years
	Built-Up Area (sq. ft.)	708
	Net Book Value (RM)	46,790
	Date of Acquisition	22-May-1999
4.	**Proprietor**	**Cede Communications Sdn Bhd**
	Titlel/Location	H.S. (M) 12449, P.T. No. 26310 in the Mukim of Cheras, District of Hulu Langat, State of Selangor Darul Ehsan. Parcel No. 35-3-F
	Description/Existing Use	A Parcel of Office/Vacant
	Tenure	Freehold
	Approximate Age of Buildings	11 Years
	Built-Up Area (sq. ft.)	783
	Net Book Value (RM)	47,990
	Date of Acquisition	13-Dec-1999

SHAREHOLDING STATISTICS
20 APRIL 2010

Share Capital

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

Analysis of Shareholders by Range Group

Size Holding	No. of Holders	%	No.of Shares	%
1 – 99	30	2.457	1,405	0.000
100 – 1,000	78	6.388	19,370	0.012
1,001 – 10,000	484	39.639	2,650,525	1.668
10,001 – 100,000	516	42.260	19,117,150	12.035
100,001 – 7,942,024	112	9.172	81,280,550	51.171
7,942,025 And Above	1	0.081	55,771,500	35.111
Total	**1,221**	**100.000**	**158,840,500**	**100.000**

Substantial Shareholders

		Direct Interest		Indirect Interest	
No.	**Name of Shareholders**	**No. of Shares**	**%**	**No. of Shares**	**%**
1	Dato' Lim Thean Keong	55,771,500	35.111	2,425,500	1.527

Directors' Shareholding

		Direct Interest		Indirect Interest	
No.	**Name of Shareholders**	**No. of Shares**	**%**	**No. of Shares**	**%**
1	Dato' Lim Thean Keong	55,771,500	35.111	2,425,500	1.527
2	Thong Kooi Pin	130,500	0.082	0	0.000
3	Dato' Fam Lee Ee	0	0.000	0	0.000
4	Mohd Zaini bin Noordin	0	0.000	0	0.000
5	Chin Chee Seong	0	0.000	0	0.000

SHAREHOLDING STATISTICS

20 APRIL 2010 (CONTINUED)

Thirty Largest Shareholders

No.	Name of Investors	No. of Shares	%
1	Dato' Lim Thean Keong	55,771,500	35.111
2	Choong Yean Yaw	7860,000	4.948
3	Chan Yook Chan	4,650,000	2.927
4	Lim A Heng @ Lim Kok Cheong	4,332,000	2.727
5	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Kuan Peng Ching @ Kuan Peng Soon (MM1076)	3,391,900	2.135
6	Tung Wai Fun	3,092,400	1.946
7	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For NG GEOK HWA (CEB)	3,000,000	1.888
8	Yap Swee Hang	3,000,000	1.888
9	HLG Nominees (Tempatan) Sdn Bhd Pledged Securities Account For YAP SWEE HANG (CCTS)	2,977,600	1.874
10	Chua Shok Tim @ Chua Siok Hoon	2,888,000	1.818
11	Hew Yoon Hsia	2,500,000	1.573
12	Datin Ching Wai Teng	2,425,500	1.527
13	Teoh Boon Beng @ Teoh Eng Kuan	2,130,000	1.340
14	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For PAU KIEW HIONG	1,704,400	1.073
15	Ahmad Razali Bin Mustaffa	1,575,000	0.991
16	Chan Yoke Peng	1,500,000	0.944
17	Lai Mooi Far	1,485,000	0.934
18	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hew Yoon Hsia (REM612)	1,150,300	0.724
19	Seng Yan Chuan	1,126,500	0.709
20	Ng Tiam Hee	1,090,400	0.686
21	Teoh Eng Huat	1,000,000	0.629
22	Koh Thin Min	980,000	0.616
23	Syed Sirajuddin Putra Jamalullail	840,000	0.528
24	Tan Auw Hock	800,000	0.503
25	Lim Bee Tat	787,500	0.495
26	Pau Kiew Hiong	765,000	0.481
27	Lai Hong Mun	750,000	0.472
28	Low Pak Seng	750,000	0.472
29	Liew Teng Shuen	700,000	0.440
30	Poh Lai Yoke	700,000	0.440

NOTICE OF SIXTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at Lavender Room, The Zon All Suites Residences On The Park, 161-D Jalan Ampang, 50450 Kuala Lumpur on Friday, 4 June 2010 at 2.30 p.m. to transact the following business:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)

2. To approve the payment of a first and final tax exempt dividend of 35 Sen per ordinary share in respect of the financial year ended 31 December 2009. (Resolution 1)

3. To re-elect the following Directors who retire pursuant to Article 127 of the Company's Articles of Association:-
   (i) Dato' Fam Lee Ee (Resolution 2)
   (ii) Mohd Zaini Bin Noordin (Resolution 3)

4. To re-elect Chin Chee Seong who retires pursuant to Article 132 of the Company's Articles of Association. (Resolution 4)

5. To approve Directors' Remuneration for the financial year ended 31 December 2009. (Resolution 5)

6. To appoint Auditors and to authorise the Directors to fix their remuneration. (Resolution 6)

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure A" in the annual report has been received by the Company for the nomination of Messrs. BC Teoh & Co. for appointment as Auditors of the Company in place of the retiring Auditors, Messrs. Chanthiran & Co. and the intention to move the following motion to be passed as an Ordinary Resolution:-

"THAT BC Teoh & Co. be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs. Chanthiran & Co. to hold office until the conclusion of the next Annual General meeting AND THAT authority be and is hereby given for the Directors to fix their remuneration."

AGENDA

Special Business

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

7. **ORDINARY RESOLUTION I**
   Authority To Allot And Issue Shares (Resolution 7)

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

8. **ORDINARY RESOLUTION II**
   Proposed Renewal of Authority for the Shares Buy-Back pursuant to Section 67A of the Companies Act, 1965 (Resolution 8)

   "THAT, subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorized, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM0.10 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

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

   (ii) an amount not exceeding the Company's audited accumulated profits of RM1,042,236 and share premium account of RM1,045,796 for the financial year ended 31 December 2009 at the time of purchase(s) will be allocated by the Company for the purchase of own shares; and

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

AGENDA

Special Business (continued)

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

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

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

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Sixth Annual General Meeting to be held on 4 June 2010, a first and final tax exempt dividend of 35 Sen per ordinary share in respect of the financial year ended 31 December 2009 will be paid on 02 July 2010 to Depositors whose names appear in the Record of Depositors on 18 June 2010.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

(a) Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 18 June 2010 in respect of transfers; and
(b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

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

Kuala Lumpur
13 May 2010

NOTES:-

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

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

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

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

(v) The Form of Proxy must be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 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 Year Ended 31 December 2009*

   The item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting

EXPLANATORY NOTE ON SPECIAL BUSINESS

1. *Ordinary Resolution I : **Authority to Directors to Allot and Issue Shares***
   The proposed Ordinary Resolution I is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised.

   The proposed Ordinary Resolution I, 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 issued and paid-up share capital 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 : **Proposed Renewal of Authority for the Shares Buy-Back***
   Please refer to the Statement to Shareholders dated 13 May 2010 for further information.

STATEMENT ACCOMPANYING NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

Details of the Directors who are standing for re-election in Agenda 3 and Agenda 4 of the Notice of the Sixth Annual General Meeting are set out in the profile of Directors appearing in page 3 and page 4 of this Annual Report.

Annexure A

21st April 2010

The Board of Directors,
M-Mode Berhad,
B-19-7, Block B, 19th Floor,
Unit 7, Megan Avenue II,
No. 12, Jalan Yap Kwan Seng,
50450 Kuala Lumpur.

Dear Sirs,

NOTICE OF NOMINATION OF MESSRS. B.C. TEOH & CO. AS AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, I, being a shareholder of M-Mode Berhad ("the Company"), hereby give notice of my intention to nominate Messrs. B.C. Teoh & Co. for appointment as auditors of the Company and to propose the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company, to replace the retiring auditors, Messrs. Chanthiran & Co.:-

"THAT Messrs. B.C. Teoh & Co. be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs. Chanthiran & Co. to hold office until the conclusion of the next Annual General meeting AND THAT authority be and is hereby given for the Directors to fix their remuneration."

Yours faithfully,

Dato' Lim Thean Keong

M-MODE BERHAD

(Company No. 635759 U)
(Incorporated in Malaysia)

FORM OF PROXY

No. of shares held	

I/We..
(Full Name in Capital Letters)

of..
(Full Address)

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

....
(Full Name in Capital Letters)

of..
or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Sixth Annual General Meeting of the Company to be held at The Zon All Suites Residences On The Park, 161-D, Jalan Ampang, 50450 Kuala Lumpur on Friday, 4 June 2010 at 2.30 p.m. and at any adjournment thereof.

	AGENDA			
ORDINARY BUSINESS				
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2009.			
		RESOLUTIONS	****FOR***	****AGAINST***
2.	To approve the payment of a first and final tax exempt dividend of 35 Sen per ordinary share in respect of the financial year ended 31 December 2009.	**1**		
3.	To re-elect the following Directors who retire pursuant to Article 127 of the Company's Articles of Association:- (i) Dato' Fam Lee Ee (ii) Mohd Zaini Bin Noordin	 **2** **3**		
4.	To re-elect Chin Chee Seong who retires pursuant to Article 132 of the Company's Article of Association.	**4**		
5.	To approve Directors' Remuneration for the financial year ended 31 December 2009.	**5**		
6.	To appoint Auditor and to authorize the Directors to fix their remuneration.	**6**		
SPECIAL BUSINESS				
7.	Authority to the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.	**7**		
8.	Proposed Renewal of Authority for the Shares Buy-Back of the Company pursuant to Section 67A of the Companies Act, 1965.	**8**		

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

____
Signature of
Shareholder(s) or Common Seal

Signed this ………...day of ……………..2010

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AFFIX STAMP HERE

The Company Secretary
M-MODE BERHAD
Level 18, The Gardens North Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur,
Malaysia.

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NOTES:-

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

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

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

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

(v) *The Form of Proxy must be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.*

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