
14. PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER

(Prepared for inclusion in this Prospectus)

**CHANTHIRAN & CO. [AF 1385]
Chartered Accountants**

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Tel : 03-27110581
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Date: 1 November 2004

The Board of Directors
M-Mode Berhad
B-3-12, Block B, 3rd Floor
Unit 12, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

Dear Sirs,

**REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA
CONSOLIDATED BALANCE SHEETS OF M-MODE BERHAD AND ITS
SUBSIDIARIES AS AT 30 JUNE 2004**

We have reviewed the presentation of the proforma consolidated balance sheets of M-Mode Berhad ("M-Mode") and its subsidiaries ("the Group") as at 30 June 2004 together with the notes and assumptions thereon as set out in Appendix A, for which the Directors are solely responsible, for the purpose of inclusion in the Prospectus of M-Mode to be dated 9 November 2004 in connection with the following exercises:

- i) Sub-division of par value of the existing ordinary shares in M-Mode from RM1.00 each to RM0.10 each which was completed on 6 September 2004.
- ii) The increase in M-Mode's issued and fully paid-up share capital of RM2,043,300 as a result of the Public Issue of 20,433,000 of RM0.10 each at an issue price of RM0.45 per share.


In our opinion,

- i) the proforma consolidated balance sheets have been properly compiled on the basis of preparation stated;
- ii) such basis is consistent with the accounting policies of the Group; and

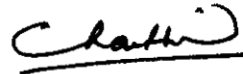
14. **PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER (Cont'd)**

- iii) the adjustments are appropriate for the purposes of the proforma consolidated balance sheets.

Yours faithfully



CHANTHIRAN & CO
Firm Number: AF 1385
Chartered Accountants



N. CHANTHIRAN A/L NAGAPPAN
2007/06/06 (J/PH)
Partner

14. **PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER (Cont'd)**

APPENDIX A

1 PROFORMA CONSOLIDATED BALANCE SHEETS

The proforma consolidated balance sheets as set out below have been prepared for illustrative purposes only to show the effect on the financial statements of M-Mode Group as at 30 June 2004 and also based on the assumptions that the following events had been effected on that date.

	Audited Company RM'000	Audited Consolidated Balance Sheet RM'000	(I) Share Split RM'000	(II) After I & Public Issue RM'000	(III) After II & utilisation of proceeds from the Public Issue RM'000	NOTE
NON CURRENT ASSETS						
Property, plant and equipment	-	834	834	834	2,072	
Investment in subsidiaries	6,050	-	-	-	-	
Deferred expenditure	327	327	327	327	327	
Development costs	-	288	288	288	721	
Goodwill on consolidation	-	4,886	4,886	4,886	4,886	
CURRENT ASSETS						
Trade and other receivables	-	2,208	2,208	2,208	2,208	
Amount due by a related company	-	-	-	-	-	
Cash and bank balances	23	255	255	7,949	6,278	
	23	2,463	2,463	10,157	8,486	
CURRENT LIABILITIES						
Trade and other payables	271	1,386	1,386	1,386	1,386	
Amount due to a related company	-	2	2	2	2	
Amount due to directors	9	219	219	219	219	
Hire purchase payables	-	62	62	62	62	
Provision for taxation	-	-	-	-	-	
	280	1,669	1,669	1,669	1,669	
NET CURRENT (LIABILITIES)/ASSETS						
	(257)	794	794	8,488	6,817	
	6,120	7,129	7,129	14,823	14,823	
Financed by:-						
Share capital	6,130	6,130	6,130	8,173	8,173	1.2
Share premium	-	-	-	5,651	5,651	1.3
Reserves	(10)	883	883	883	883	
Shareholders' funds	6,120	7,013	7,013	14,707	14,707	
NON CURRENT LIABILITY						
Hire purchase payables	-	116	116	116	116	
	6,120	7,129	7,129	14,823	14,823	
Net tangible assets ("NTA")	6,120	1,839	1,839	9,533	9,100	
Number of ordinary shares in issue	6,130	6,130	61,300	81,733	81,733	
NTA per ordinary shares of RM1.00 each (sen)	100.00	30.00				
NTA per ordinary shares of RM0.10 each (sen)			3.00	11.66	11.13	

14. PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER (Cont'd)

1.1 Basis of Preparation

The proforma consolidated balance sheets of the Group have been prepared using accounting principles and bases consistent with those previously adopted in the preparation of audited financial statements.

The proforma consolidated balance sheets are for illustrative purposes only to incorporate the following transactions as though they were effected on 30 June 2003.

Proforma I

Sub-division of par value of the existing ordinary shares of 6,130,000 in M-Mode from RM1.00 each to RM0.10 each.

Proforma II

Proforma II is after incorporating Proforma I and the increase in M-Mode's issued and fully paid-up share capital of RM2,043,300 as a result of the Public Issue of 20,433,000 of RM0.10 each at an issue price of RM0.45 per share.

Proforma III

The proceeds from the Public Issue are to be utilised as follows:-

	RM'000
Proceeds:	
Proceeds from Public Issue	<u>9,195</u>
Utilisation:	
Listing expenses *	1,500
Research and development	2,300
Working capital	2,500
Overseas market penetration	2,895
	<u>9,195</u>

* Included in **Proforma II**, are estimated listing expenses of approximately RM1,500,000 which are deducted from the share premium account.

14. **PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER (Cont'd)**

1.2 Share capital

	Par value	No of shares	RM
As at 30 June 2004 in M-Mode Bhd	RM1.00	<u>6,130,000</u>	<u>6,130,000</u>
Share split – As shown in Proforma I	RM0.10	61,300,000	6,130,000
Issue pursuant to the Public Issue	RM0.10	20,433,000	2,043,300
As shown in Proforma II & III	RM0.10	<u>81,733,000</u>	<u>8,173,300</u>

1.3 Share premium

	RM'000
Share premium arising from the Public Issue	7,151
Estimated listing expenses	(1,500)
As shown in Proforma II & III	<u>5,651</u>

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Infocredit D&B (Malaysia) Sdn Bhd (527570-M)

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Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia.

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Website: www.icdnb.com.my

1 November 2004

Board of Directors

M-MODE BERHAD

B-3-13, Block B,

3rd Floor, Unit 13,

Megan Phileo Avenue

12, Jalan Yap Kwan Seng,

50450 Kuala Lumpur

RE: EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET CONSULTANT REPORT FOR M-MODE BERHAD

This Executive Summary has been prepared for inclusion in the Prospectus to be dated 9 November 2004 pursuant to the proposed listing of M-Mode Berhad ("M-Mode" or "Company") on the MESDAQ Market of Bursa Malaysia Securities Berhad.

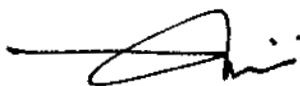
This research is undertaken with the purpose of providing an overview of the mobile content provider industry in Malaysia. The research methodology for the research includes both primary research, involving in-depth trade interviews and telephone interviews of pertinent companies, as well as secondary research such as reviewing press articles, periodicals, trade/government literatures, in-house corporate databases, Internet research as well as online databases.

Infocredit D&B (Malaysia) Sdn Bhd ("Infocredit D&B") has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, Infocredit D&B acknowledges that if there are significant changes affecting the content of the Infocredit D&B's Executive Summary after the issue of the Prospectus and before the issue of securities, then Infocredit D&B has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

For and on behalf

INFOCREDIT D&B (MALAYSIA) SDN BHD



Tan Sze Chong
Managing Director

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Malaysian Telecommunications Industry

Malaysia possesses one of the more advanced telecommunications infrastructures in the developing world, boasting modern technologies such as fibre optics, satellites and satellite services, wireless transmission and digitalisation. The growing use of the internet, electronic mail, fax and other on-line data transmission methods have pointed towards an increasing use of electronic transmission over more traditional methods of communication and distribution. The incredible advancement of the Internet and its resulting application markets have led to the tremendous growth of electronic information sharing and dissemination.

The Malaysian telecommunications industry is in the midst of an information age where new technology have blurred the boundaries whereby products and services will be sold across industries as opposed to a narrowly defined industry. The information age is defining Malaysia's future social and economic development as did agriculture in the 1970s and manufacturing in the 1980s and 1990s.

The Malaysian telecommunications industry, which consist of fixed lines, mobile and internet, grew moderately in 2002 following a period of accelerated growth in the previous years.

The Malaysian Telecommunication Industry (1995 – 1H2004)

Years	Mobile ('000)	Growth (%)	Internet ('000)	Growth (%)	Fixed Lines ('000)	Growth (%)
1995	873	-	14	-	3,340	-
1996	1,513	73.3%	64	357.1%	3,766	12.8%
1997	2,461	62.7%	205	220.3%	4,250	12.9%
1998	2,150	-12.6%	405	97.6%	4,370	2.8%
1999	2,717	26.4%	668	64.9%	4,423	1.2%
2000	5,122	88.5%	1,659	148.4%	4,628	4.6%
2001	7,385	44.2%	2,115	27.5%	4,710	1.8%
2002	9,053	22.6%	2,614	23.6%	4,670	-0.8%
2003	11,124	22.9%	2,881	10.2%	4,572	-2.1%
2004*	12,398	-	3,117	-	4,547	-

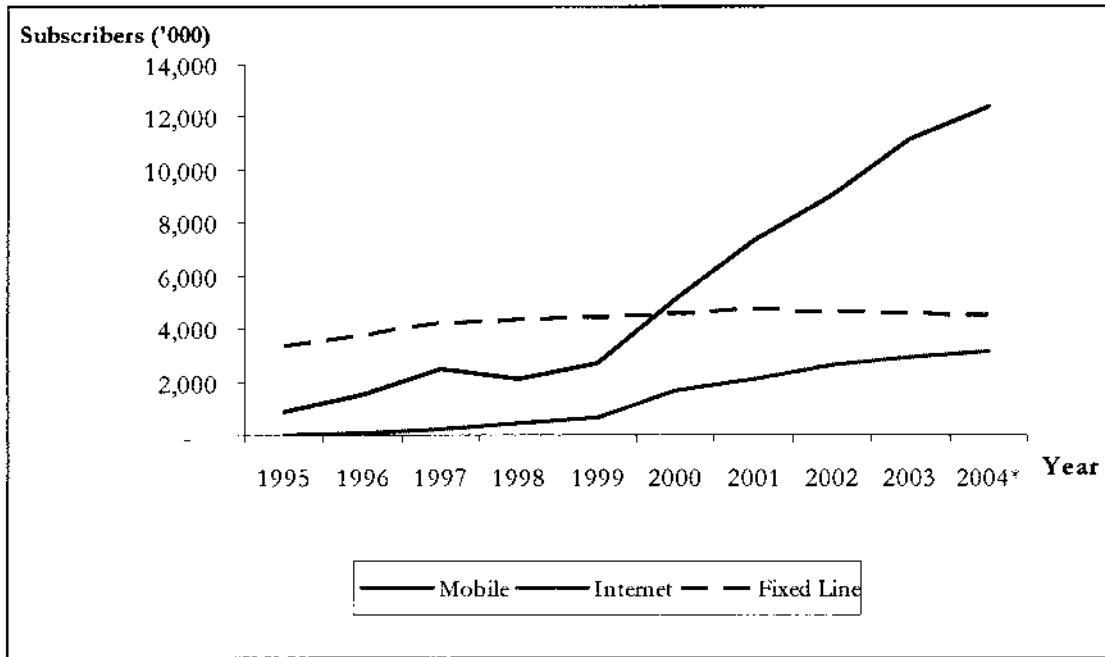
Note: * denotes as of 1st half of 2004

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Total Number of Mobile Phone, Fixed Line and Internet Subscribers



Note: * denotes as of 1st half of 2004

The market size for fixed lines is estimated to have decreased slightly to 4.57 million subscribers in 2003 from 4.67 million subscribers in 2002 partly due to the popularity and affordability of mobile phones. The mobile phone market in 2003 grew at a slightly higher pace, chalking up 22.9% as opposed to 22.6% in 2002. As of end 2003, total subscribers for the mobile phone market was 11.1 million, representing a penetration rate of 43.9% while Internet subscribers posted 2.9 million subscribers in 2003 and a penetration rate of 11.4%.

Malaysian Mobile Telecommunications Industry

The Malaysian mobile telecommunications sector is among the fastest growing sectors of the Malaysian telecommunications industry. The Malaysian mobile telecommunications industry has grown at an average of 41% in the past five (5) years, achieving a penetration rate of 44% or approximately 11.1 million subscribers as at end 2003. Penetration rate is expected to hit 50% by the end of 2004. As at end 2003, the total number of mobile subscribers is estimated at 11.1 million as compared to 4.6 million for fixed lines subscribers and 2.9 million for internet subscribers.

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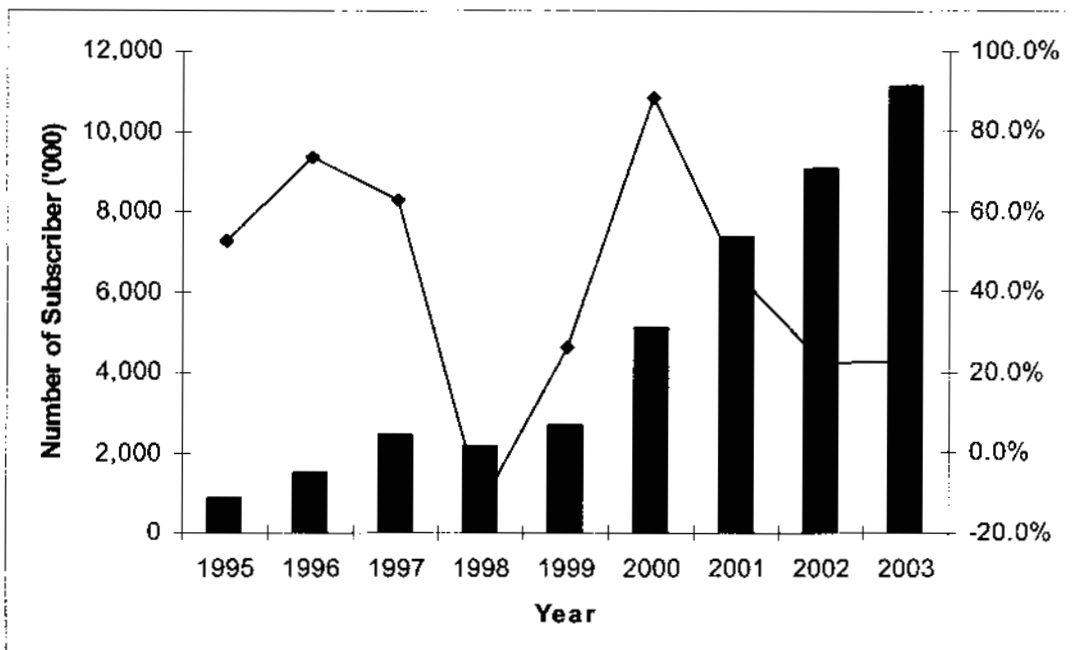
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Mobile Phone Subscriber Growth (1995 – 1H2004)

Years	Mobile Subscribers	Growth (%)	Penetration Rate
1995	873,000	52.6%	4.2%
1996	1,513,000	73.3%	7.1%
1997	2,461,000	62.7%	11.4%
1998	2,150,000	-12.6%	9.7%
1999	2,717,000	26.4%	12.0%
2000	5,122,000	88.5%	21.8%
2001	7,385,000	44.2%	30.8%
2002	9,053,000	22.6%	36.9%
2003	11,124,000	22.9%	43.9%
2004*	12,398,000	-	48.5%

Note: * denotes as of 1st half of 2004

Mobile Phone Subscriber Growth Rate (1995 – 2003)



Malaysia's mobile telecommunications sector has undergone two consolidations in the last 10 years. The first consolidation, which took place pre-year 2000, saw eight mobile telecommunication players reduced to five. The second wave of consolidation occurred post-year 2000, with five mobile

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telecommunication players diminishing to three major mobile telecommunication operators, Maxis Telecommunications Bhd, Celcom Bhd and Digi Bhd.

The past five years have seen tremendous growth in data services with the wide adoption of SMS. No longer in its infancy, the booming text-messaging business is expected to lead to the adoption of more advanced data services usage such as multimedia services incorporating video and audio. The introduction of GPRS and the eventual 3G rollouts by Telekom Malaysia Bhd and UMTS (Malaysia) Sdn Bhd are laying the foundations for further accelerated growth in data services.

Mobile Data / Media Services Industry

From the needs of a content provider, a basic infrastructure of a MNO (besides voice calls ala EESAT) has to ensure smooth content delivery to its subscribers based on its network data speed ability (i.e. data speeds availability determine whether a video streaming product can be sent). The jargon associated with current data speeds (available to all three of Malaysia's MNOs) is Global Packet Radio Services ("GPRS"). For improved data speeds, DiGi opted for EDGE (Enhanced Data Rates for GSM Evolution) while Maxis started its GPRS service in June 2002 and Celcom (via Telekom) launched its GPRS service in third quarter of 2003. Both Celcom and Maxis have each secured a 3G (Wideband Code Division Multiple Access or WCDMA) license from the Malaysian Government.

In June 2002, Maxis launched its GPRS service in June 2002, followed by 3G trials in March 2004, as part of the MNO's efforts to offer its customers faster data transmission capabilities and a host of new services. Maxis is expected to launch the 3G service locally in the first quarter of 2005. Upon commercial launch, the 3G service will offer quicker data transmission for MMS, internet surfing, video clip download as well as better quality for video streaming. The service caters mostly its high-end customers and via corporate packages. It has targeted areas within the vicinity of Kuala Lumpur, Bandar Sunway, Putrajaya and Cyberjaya.

Celcom launched its GPRS service in the third quarter of 2003, giving its customers access to MMS, Java Games and downloadables such as polyphonic ring tones, wallpapers and animated screen savers at an initial connection speed of 115kbps. Through its GPRS service, subscribers will be able

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to enjoy better graphics, sound quality as well as wider applications. Its coverage areas encompass most of the major cities and town in West and East Malaysia. It offers two types of packages - Casual for light users and Professional for heavy users.

In May 2004, Digi launched its EDGE (Enhanced Data rates for Global Evolution) service. The service enhances the capability of its voice and data services. It provides faster access to WAP and web browsing, MMS, mobile office application, interactive gaming as well as video and audio streaming. Some of the major applications through this service include downloading documents, reading and sending emails and access the intranet. Customers are also able to do their online banking, read the news and check the sports scores, follow the stock news and traffic information and enjoy online gaming. In addition, it possible to access data services on mobile phones, PDAs and notebooks as the handset becomes the modem allowing fast connection to the internet. The Edge service is available in both Kuala Lumpur and parts of Selangor. This service is available to all of its postpaid mobile service customers. In August 2004, Digi introduced Malaysia's first mobile TV service to its EDGE-enabled mobile subscribers. The service is targeted at youth and young professionals. Subscribers of the service will be able to enjoy viewing the terrestrial TV channel NTV 7.

Mobile Messaging

Evolution of mobile messaging

The telecoms industry, which launched WAP over GSM in 1998 to an environment of tremendous hype and publicity, disappointed greatly when it failed to live up to expectations as it failed to deliver services that subscribers find valuable and are willing to pay a premium for. WAP over GSM services in Europe became a prime example of over-exaggeration and media hype regarding WAP over GSM's capabilities, usability and the availability of handsets as well as the services that will support it.

The resulting disappointment from the launch of WAP over GSM services in Europe and Asia led content providers, service providers and mobile network providers ("MNOs") to shift their focus to SMS as a viable and profitable delivery channel for person to person ("P2P") messaging and content services. SMS usage grew to unprecedented levels due to several key factors such as availability on

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almost every handset, interoperable over most networks, inexpensive and simple to use, has a significant critical mass of users and a major revenue generator for MNOs. As a result, most of the content developed today are SMS based. SMS has become an important if not vital service for MNOs and content providers to introduce newer delivery methods such as EMS and MMS and to re-launch WAP that will support richer and more attractive premium content.

Type	Infrastructure	Size	Rich Content	Storage
SMS	SS7	160 numeric characters	No	Store and Forward
EMS	SS7	Concatenated SMS	Limited	Store and Forward
MMS	WAP/XHTML/IP	Unlimited	Yes	Non-real time, stored

Short Messaging Service

Short Messaging Service or "SMS" is a technology that allows mobile users to send and receive alphanumeric messages up to 160 characters over a mobile telephony network. SMS first appeared as part of the GSM specification in the early 1990s. The first SMS was sent in 1992 but commercialisation of SMS didn't begin until 1994. SMS was not introduced as a P2P messaging service or a delivery channel for content but as a tool to send basic alerts such as voice-mail notifications and SMS delivery reports to mobile phones. There are two types of SMS:

- **MO-SMS**

MO-SMS is defined as mobile originated SMS whereby the text message is sent from one mobile phone to another mobile phone.

- **MT-SMS**

MT-SMS is defined as mobile terminated SMS whereby the text message originates from the SMS centre ("SMSC") to the mobile phone.

It was not until 2001 that SMS reached maturity and achieved mass market penetration due to its inexpensive and ease-of-use features, advancing it from a novelty tool to a near-indispensable tool for all mobile phone users.

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The unprecedented growth of SMS is attributable to the youth market who identified it as a P2P messaging tool. Due to the explosive growth of pre-paid services, made up of primarily the youth market, SMS became the de-facto communication tool as the cost of sending an SMS is less than a voice call. Malaysia has recorded tremendous growth in SMS usage with the total SMS traffic reaching 6.2 billion messages in 2003. The growth of SMS traffic has far outstripped the growth of mobile subscribers in Malaysia, auguring well for the MNOs.

Enhanced Messaging Service

Enhanced Messaging Service or EMS, built on the success of SMS, is a mobile messaging standard developed by the third generation partnership project (3GPP). While considered as a new standard in mobile messaging, EMS is but a precursor towards multimedia messaging.

While SMS is able to support a simple plain text format limited to 160 alphanumeric characters, EMS allows for the inclusion of binary objects in SMS messages. EMS is able to support enhanced messages comprising of several short messages, basic images, sound and animation as well as text formatting enhancements.

From a technology point of view, both SMS and EMS utilise the SMSC. In order to offer EMS communication services, MNOs have to upgrade the SMSC to support concatenated messages. From a user point of view, mobile phones that supported SMS communications only will have to purchase new phones that possess a new client software that supports EMS. However, a majority of phones today already support both SMS and EMS communications.

Some of the key drivers for EMS are:

- EMS implementation and operation requires minimal technology investment by MNOs.
- EMS is supported by leading mobile phone companies such as Motorola, Ericsson and Siemens.
- EMS is tagged as a cheaper version of MMS. Users who cannot afford an MMS phone have the option of purchasing an EMS phone.

Multimedia Messaging Service

The overwhelming success of SMS whether in adoption rates or as a crucial revenue source for MNOs has led to the development of Multimedia Messaging Service ("MMS"). With SMS's

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AND THE LETTER THEREON (Cont'd)**

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technological limitation of 160 alphanumeric characters, 3GPP has been studying and developing the next general platform and terminals which will incorporate the world of Internet and wireless messaging, allowing for the streaming and delivery of unlimited rich multimedia content. With the advances of wireless network technology, be it GPRS or 3G, MMS is designed and positioned to take full advantage of the increase in bandwidth and efficiency.

MMS also stands to benefit from the current mass adoption of SMS by the migration of existing users of SMS to richer more exciting multimedia content. From a technological point of view, the platform architecture of SMS and MMS are similar but MMS uses a different transmission mechanism. MMS technology utilises Internet Protocol ("IP") based connectivity protocol as opposed to the signalling system that SMS and EMS currently uses. On the wireless network technology front, for MMS to be effective and efficient, MMS has to ride on the packet-switched data access technology provided by GPRS and 3G. On the other hand, SMS and EMS currently rides on the circuit-switched technology provided by GSM or other 2G networks.

Types of Content

Mobile content can currently be categorised into ring tones, graphics, text based content and mobile games. Advances in mobile telecommunications technology is expected to further diversity the categories of mobile content by adding multimedia elements such as video and different delivery methods. Mobile content is currently being delivered through SMS and WAP.

Ring tones and graphics are recognised mobile media content offered for entertainment purposes to end users. Ring tones and graphics can be delivered to the end users' mobile device through SMS, EMS, MMS or WAP. The variety of ring tones and graphics is near infinite with tens of thousands of variants available in the local market place. It has become commonplace to have a variety of personal ring tones for different caller groups or to change to a new ring tone every week or month to match the end user's preference or the current fad. Graphics adds an image element into messaging whereby it can be fun and entertaining or as a personal expression or taste of the end user.

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AND THE LETTER THEREON (Cont'd)**

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www.icdnb.com.my**Ring tones**

Ring tones can be divided into two sub categories, monophonic and polyphonic. Monophonic refers to tones that have a single unaccompanied melodic line. The popularity of ring tones is attributed to the tremendous demand from end users for an endless variety of ring tones to suit the mood or preference of the moment. The common delivery channel for monophonic ring tones to the end user's mobile phone is through SMS. Polyphonic can be defined as tones which two or more independent melodies are combined in harmony. With the advancement of mobile phone technology and the lifestyle concept that came along with it, it was no longer considered as 'hip' to have a mono tone but to have a phone that can play tones which are juxtaposed in harmony. Unlike monophonic tones which can be delivered through SMS, the delivery of polyphonic tones has to be through GPRS and WAP.

Graphics

Graphics consist of image-based messages, eye candy and entertainment. Examples of graphics include operator logos, picture messaging and wallpapers. As ring tones provided users with audio entertainment, graphic logos provided users with visual entertainment. Graphics can be delivered to users as an SMS, EMS or MMS. Like ring tones, graphics represent downloads to suit the moment or the mood of the user as well as the style or method the user prefers to express his or herself.

Text-based content

The provision of information and entertainment text-based content services are already commonplace with the acceptance of information availability such as daily weather and traffic information and entertainment news such as soccer results, NFO results and celebrity happenings. Although the quantity of information and entertainment mobile media services are not as varied as ring tones and graphic logos, text-based content plays an increasingly important role in the mobile content industry where timeliness and relevance is of paramount importance. Text-based content can be divided into subscription and non-subscription categories whereby mobile content by subscription are usually considered as premium information or entertainment content.

Mobile games

In the past few years the mobile games industry has evolved tremendously from simple embedded games like snake to a proliferation of game categories such as messaging based games, web-based

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games and downloadable games. Games are even sub classified into single-user games and multi-user games.

Game Types and Description

Game type	Description
Embedded	Embedded games are games that are pre-installed into the mobile phone and requires no download from the network. Such games are targeted to novice gamers and do not generate any revenues for MNOs, content providers or game developers.
Messaging-based	Messaging-based games are games that utilise the SMS or MMS transport protocols to enable users to play. To play, gamers are required to query the game server to initiate a game session. Depending on the design of the game, such games can be single user or multi user games.
Web-based	Web-based games are accessed using the wireless internet. The most common wireless internet protocol used is WAP and i-Mode's c-html. Like messaging based games, such games can be single or multi user games. Due to the required continuous connectivity, the high cost of connection has stifled this market.
Downloadable	Downloadable games are what the mobile industry is betting on to enhance user experience, leading to higher revenues. Using technology platforms like J2ME and BREW, the games are much better developed and visually attractive. The technology platforms allow users to download games into their mobile phones for later play. Such games can be either single user games played offline or multi user games played online, depending on the inherent characteristics of the game.

Strong Growth of Mobile Data Revenues

Content downloading represents a tremendous growth opportunity for both MNOs and content providers. From the MNOs perspective, content downloading will drive increase data adoption and usage, creates a new revenue stream from download of content, enhances the ability of subscribers to personalize services and even increases voice usage. For content providers, the growing volumes of Java-capable mobile handsets indicate that wireless networks are poised to become the third major content distribution channel after televisions and personal computers.

According to figures published by the MCMC, some 6.2 billion SMS were sent over the networks in Malaysia in 2003. For the first half of 2004, the MCMC reported a total of 4.1 billion SMS sent. The MNOs have shown tremendous growth in mobile data revenue in 2003. Maxis reported a 120% increase in mobile data revenues to RM539 million on the back of RM4.7 billion in revenue in

**15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET CONSULTANT REPORT
AND THE LETTER THEREON (Cont'd)**

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FYE2003, representing an 11.5% contribution. This is in contrast to RM245 million in mobile data revenues or 6.5% of total revenue recorded in FYE2002. Celcom's mobile data revenue contributions for FYE2003 are estimated to be approximately 13.3% of total revenue from 9% in 2002. DiGi's mobile data revenue contribution as a percentage of total revenue has also grown from 9% in 2002 to 13% in 2003.

The growth of mobile content usage is very encouraging with the mobile content industry representing approximately 10% (2002: 8%) of total mobile data revenue. The mobile content industry is worth approximately RM110 million in 2003, up 168% from the previous year. The mobile content industry is anticipated to be worth RM672 million by 2008, representing an estimated compounded annual growth rate of 43% for the next five years.

Conclusion

To keep abreast of the ever changing and sophisticated needs of the users, players are moving beyond mobile voice communications and into new market segments to tap new revenue streams. Mobile data services and solutions have become integral components in gaining access to new revenue streams, allowing users to access a variety of value added services adapted to their lifestyles.

Building on the success of SMS, MMS is expected to enhance a user's messaging experience tremendously. MMS will make communication between users more visual and increase the emotional value of a message as well as the desire to share it. Just as ring tones proved a hit with users, the content market as manifested in MMS technology may prove to be huge. For the consumer, phones can now be customized with various screen savers and wallpapers. As the technology matures further, users can look forward to more innovative schemes.

With the advent of new technologies in mobile data services opening up new possibilities, the types of content and application markets is set to increase in its numbers and variations. Instead of expecting "one" killer application, its more about practical applications and niche market segments, be it for entertainment or business applications.

MMS is expected to facilitate three main factors that boost the value of information to users: personalisation, time-sensitivity and mobility. Applying any single factor or even all three factors to

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their products and services will enable content providers to increase their attractiveness to potential users.

The Malaysian mobile data industry, despite its impressive growth, is still in its infancy stage. More advanced mobile markets like Japan and Korea are leading the way in mobile telecommunication technology as well as mobile content. Look no further than the two abovementioned markets to appreciate the interesting times that are in store for the local mobile data industry.

16. SUMMARY OF THE VALUATION REPORT ON eCENTURY

(Prepared for inclusion in this Prospectus)



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1 November 2004

The Board of Directors

M-Mode Berhad

B-12-13, Block B

12th Floor, Unit 13, Megan Avenue II

Jalan Yap Kwan Seng

50450 Kuala Lumpur

Dear Sirs,

SUMMARY OF THE VALUATION REPORT DATED 12 MARCH 2004 ON eCENTURY SDN BHD (“eCentury” or “Company”)

This letter is prepared for the purpose of inclusion in the Prospectus of M-Mode Berhad (“M-Mode”) to be dated 9 November 2004 in connection with a Public Issue of 20,433,000 new ordinary shares of RM0.10 each at an issue price of RM0.45 per share in M-Mode and the listing and quotation for the entire issued and paid up share capital of M-Mode on the MESDAQ Market of Bursa Malaysia Securities Berhad (“MESDAQ Market”).

This letter is a summary of the valuation report on eCentury dated 12 March 2004 and the salient features are as follows:

eCentury Sdn Bhd was incorporated on 8 November 2000 in Malaysia as a private limited company and is principally involved in the provision of mobile media content delivered via SMS, MMS, EMS or WAP/GPRS for the mobile telecommunications industry.

BASIS OF VALUATION

A company, on a going concern basis, may be valued using the following methods, amongst others:

- market price method;
- dividend yield method;
- adjusted net asset method;
- discounted cash flow method; and
- price earnings method.

16. SUMMARY OF THE VALUATION REPORT ON eCENTURY (Cont'd)



We have adopted the price earnings method of valuation, after taking into consideration the nature of the business operations of the Company, its past track record and its profit forecast and projections.

The market price method, dividend yield method, discounted cash flow method and the adjusted net assets method were not adopted due to the following factors:

- a) eCentury is not listed and therefore its shares do not carry a market price;
- b) the Company has no long term projects or contracts or concessions which would provide the Company with a reasonably predictable stream of future cash flows;
- c) no dividends have been declared by eCentury over the years of its operations to ascertain the dividend rates;
- d) the revenue and business of the Company are subjected to the consideration of its environment. In particular, they are dependent on its ability to enlarge market share and presence, the capability to keep up with the evolving technology of the telecommunication industry, the continued awareness, and loyalty and goodwill associated with the brand name of the services provided by the Company; and
- e) the book values of eCentury's assets may not be reflective of their market values, as certain of its major assets are intangible in nature.

In adopting the price earnings method of valuation, the following factors were additionally taken into consideration:

- a) reliance on the Company's profit track record trend to form the basis of future growth may not be reflective of its sustainable growth due to the competitiveness of the information technology ("IT") industry and the generic applications of the Company's products, and in view of the relatively short time frame of operation since its commencement of business;
- b) due to the lack of supporting evidence to determine the sustainable growth, the price earnings multiples for future earnings were not considered, as the projected future earnings may not accurately reflect the rapid changing market conditions of the IT industry; and
- c) the relatively short time frame of operation since its commencement of business would not enable the average past performance of eCentury to provide an appropriate indication of the maintainable profits of the Company.

16. SUMMARY OF THE VALUATION REPORT ON eCENTURY (Cont'd)



In the light of the above, the earnings capability of eCentury for the financial year ended 31 December 2003 was considered as most appropriate to form the base for determining the price earnings method of valuing eCentury as at the date of the valuation report.

OPINION IN RELATION TO THE VALUATION OF eCentury

In consideration of the purpose of this valuation and the abovementioned consideration, we are of the opinion that eCentury be valued at RM18.57 million as at 12 March 2004, based on the price earnings method, after taking into consideration the profit after tax of the Company for the financial year ended 31 December 2003 of RM873,958 multiplied by the average earnings multiple of 21.25 of a sample of appropriate IT companies that are listed on the MESDAQ Market.

Yours faithfully

A handwritten signature in black ink, appearing to read 'CCE' with a flourish underneath.

Chew Chong Eu
Principal

For and on behalf of BDO Binder (AF:0206)