APPENDIX I

AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2016 AND 31 DECEMBER 2017

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28 December 2018

The Board of Directors
MCOM Holdings Berhad
No. 7-1, Jalan Putra Mahkota 7/8B,
Putra Heights,
47650 Subang Jaya, Selangor.

Dear Sirs

REPORT ON THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS

OPINION

We have audited the combined financial statements of MCOM Holdings Berhad (converted from MCOM Holdings Sdn. Bhd. which was formerly known as MCatch Holdings Sdn. Bhd.), and its subsidiaries ("The Group"). The combined financial statements comprise the combined statements of financial position as at 31 December 2016 and 2017, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years then ended and notes to the combined financial statements, including a summary of significant accounting policies as set out on pages 4 to 72.

In our opinion, the combined financial statements gives a true and fair view of the financial position of the Group as at 31 December 2016 and 2017 and of their financial performance and their cash flows for the FYE 31 December 2016 and 2017 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

BASIS FOR OPINION

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

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

DIRECTORS' RESPONSIBILITIES FOR THE COMBINED FINANCIAL STATEMENTS

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

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

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS

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

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

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

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

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

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

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REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF COMBINED FINANCIAL STATEMENTS (CONT'D)

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

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

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

OTHER MATTER

We understand that this report will be used solely for inclusion in the information memorandum of MCOM Holdings Berhad (formerly known as MCatch Holdings Sdn. Bhd.) in connection with the listing of and quotation for the entire issued share capital of MCOM Holdings Berhad (formerly known as MCatch Holdings Sdn. Bhd.) on the LEAP Market of Bursa Malaysia Securities Berhad. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Crowe Malaysia
Firm No: AF 1018
Chartered Accountants

Ooi Song Wan
Approval No: 02901/10/2020 J
Chartered Accountant

28 DEC 2018

Kuala Lumpur

Company No. 1248277-X

MCOM HOLDINGS BERHAD
(Formerly known as MCatch Holdings Sdn. Bhd.)

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	<---------- Audited ---------->	
		<-----FYE 31 December----->	
		2016	2017
		RM	RM
ASSETS			
NON-CURRENT ASSETS			
Equipment	4	621,975	2,090,475
Intangible assets	5	192,402	148,149
Other asset		70,325	67,519
		884,702	2,306,143
CURRENT ASSETS			
Trade receivables	6	5,803,210	7,442,463
Other receivables, deposits and prepayments	7	1,784,494	2,531,949
Amount owing by related parties	8	3,896,423	-
Current tax assets		185,182	90,140
Fixed deposit with a licensed bank	9	11,156	11,466
Cash and bank balances		1,342,170	1,407,511
		13,022,635	11,483,529
TOTAL ASSETS		13,907,337	13,789,672

Company No. 1248277-X

MCOM HOLDINGS BERHAD
(Formerly known as MCatch Holdings Sdn. Bhd.)

COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	<---------- Audited ---------->	
		<------FYE 31 December------>	
		2016	2017
		RM	RM
EQUITY			
Share capital	10	459,723	499,790
Reserves	11	6,470,905	6,530,615
Equity attributable to owners of the Company		6,930,628	7,030,405
Non-controlling interests	12	(1,579,454)	(518,685)
TOTAL EQUITY		5,351,174	6,511,720
NON-CURRENT LIABILITIES			
Hire purchase payables	13	204,923	291,997
Deferred tax liabilities	14	26,000	26,000
TOTAL NON-CURRENT LIABILITIES		230,923	317,997
CURRENT LIABILITIES			
Trade payables	15	6,623,075	4,816,179
Other payables and accruals	16	1,549,881	1,394,562
Amount owing to related parties	8	64,387	633,266
Hire purchase payables	13	66,472	90,462
Current tax liabilities		21,425	25,486
TOTAL CURRENT LIABILITIES		8,325,240	6,959,955
TOTAL LIABILITIES		8,556,163	7,277,952
TOTAL EQUITY AND LIABILITIES		13,907,337	13,789,672

MCOM HOLDINGS BERHAD
(Formerly known as MCatch Holdings Sdn. Bhd.)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		<---------- Audited ---------->	
		<------FYE 31 December------>	
		2016	2017
	Note	RM	RM
Revenue	17	16,059,042	18,642,987
Cost of sales		(8,703,195)	(1,867,022)
Gross profit		7,355,847	16,775,965
Other income	18	1,516,590	502,674
		8,872,437	17,278,639
Selling and distribution expenses		(3,240,143)	(4,023,313)
Administrative expenses	19	(4,686,448)	(5,679,723)
Other expenses	20	(623,320)	(644,818)
		(8,549,911)	(10,347,854)
Profit from operations		322,526	6,930,785
Finance costs	21	(10,568)	(28,066)
Profit before taxation		311,958	6,902,719
Income tax expense	22	(182,595)	(271,546)
Profit after taxation		129,363	6,631,173
Other comprehensive income	23		
Items that May be Reclassified Subsequently to Profit or Loss			
Foreign currency translation differences		411,220	(538,514)
Total comprehensive income for the financial year		540,583	6,092,659

Company No. 1248277-X

MCOM HOLDINGS BERHAD
(Formerly known as MCatch Holdings Sdn. Bhd.)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	Note	<---------- Audited ----------> <------FYE 31 December------> 2016 RM	 2017 RM
Profit after taxation attributable to:-			
Owners of the Company		2,124,909	5,588,810
Non-controlling interest		(1,995,546)	1,042,363
		129,363	6,631,173
Total comprehensive income attributable to:-			
Owners of the Company		2,474,965	5,002,437
Non-controlling interest		(1,934,382)	1,090,222
		540,583	6,092,659
Earnings per share (sen)	24		
Basic		9.49	24.89
Diluted		9.49	24.89

MCOM HOLDINGS BERHAD
(Formerly known as MCatch Holdings Sdn. Bhd.)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Share Capital RM	Appropriated Legal Reserve RM	Foreign Exchange Translation Reserve RM	Retained Profits RM	Attributable to Owners of The Company RM	Non-controlling Interest RM	Total Equity RM
Balance at 1 January 2016		414,423	19,647	252,447	3,837,268	4,523,785	286,806	4,810,591
Profit after taxation for the financial year		-	-	-	2,124,909	2,124,909	(1,995,546)	129,363
Other comprehensive income for the financial year:								
- Foreign currency translation differences		-	-	350,056	-	350,056	61,164	411,220
Total comprehensive income for the financial year		-	-	350,056	2,124,909	2,474,965	(1,934,382)	540,583
Contributions by and distribution to owners of the Company:								
- Acquisition of non-controlling interest		45,300	-	-	(113,422)	(68,122)	68,122	-
Balance at 31 December 2016		459,723	19,647	602,503	5,848,755	6,930,628	(1,579,454)	5,351,174

MCOM HOLDINGS BERHAD
(Formerly known as MCatch Holdings Sdn. Bhd.)

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Share Capital RM	Appropriated Legal Reserve RM	Foreign Exchange Translation Reserve RM	Retained Profits RM	Attributable to Owners of The Company RM	Non-controlling Interest RM	Total Equity RM
Balance at 31 December 2016/1 January 2017		459,723	19,647	602,503	5,848,755	6,930,628	(1,579,454)	5,351,174
Profit after taxation for the financial year		-	-	-	5,588,810	5,588,810	1,042,363	6,631,173
Other comprehensive income for the financial year:								
- Foreign currency translation differences		-	-	(586,373)	-	(586,373)	47,859	(538,514)
Total comprehensive income for the financial year		-	-	(586,373)	5,588,810	5,002,437	1,090,222	6,092,659
Contributions by and distribution to owners of the Company:								
- Acquisition of non-controlling interest		40,065	-	-	22,644	62,709	(62,709)	-
- Issuance of shares		2	-	-	-	2	33,256	33,258
- Dividends	25	-	-	-	(4,965,371)	(4,965,371)	-	(4,965,371)
Balance at 31 December 2017		499,790	19,647	16,130	6,494,838	7,030,405	(518,685)	6,511,720

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MCOM HOLDINGS BERHAD
(Formerly known as MCatch Holdings Sdn. Bhd.)

COMBINED STATEMENTS OF CASH FLOWS

	<-------- Audited -------->	
	<---FYE 31 December--->	
	2016	2017
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	311,958	6,902,719
Adjustments for:		
Allowance of impairment losses on trade receivables	13,348	-
Amortisation of intangible assets	-	44,253
Bad debts written off	-	314,047
Depreciation of equipment	229,689	282,746
Equipment written off	2,311	3,771
Intangible assets written off	37,399	-
Interest expense	10,568	28,066
Loss on disposal of equipment	865	-
Unrealised loss/(gain) on foreign exchange	339,708	(13,302)
Interest income	(20,466)	(22,498)
Gain on disposal of associate	(1,221,379)	-
Waiver of debts	(249,392)	(435,836)
Operating (loss)/profit before working capital changes	(545,391)	7,103,966
Increase in trade and other receivables	(2,473,657)	(3,455,922)
(Increase)/Decrease in amount owing by related parties	(1,673,078)	1,777,506
Increase/(Decrease) in trade and other payables	5,887,815	(1,563,588)
Decrease in amount owing to related parties	(305,901)	(222,712)
CASH FROM OPERATIONS	889,788	3,639,250
Tax paid	(101,373)	(170,462)
NET CASH FROM OPERATING ACTIVITIES	788,415	3,468,788

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MCOM HOLDINGS BERHAD
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COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		<-------- Audited -------->	
		<---FYE 31 December--->	
		2016	2017
	Note	RM	RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES			
Interest received		20,466	22,498
(Advances to)/Repayment from related parties		(1,577,393)	3,304,578
Purchase of equipment	26(a)	(94,501)	(1,635,100)
Purchase of intangible assets		(6,455)	-
Proceeds from disposal of an associate		1,390,379	-
Proceeds from disposal of equipment		1	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(267,503)	1,691,976
CASH FLOWS FOR FINANCING ACTIVITIES			
Dividends paid		-	(4,965,371)
Repayment of hire purchase	26(b)	(77,040)	(106,002)
Proceeds from issuance of ordinary shares		-	33,258
NET CASH FOR FINANCING ACTIVITIES		(77,040)	(5,038,115)
NET INCREASE IN CASH AND CASH EQUIVALENTS		443,872	122,649
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		66,259	(56,998)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		843,195	1,353,326
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	26(c)	1,353,326	1,418,977

MCOM HOLDINGS BERHAD
(Formerly known as MCatch Holdings Sdn. Bhd.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Malaysia on 26 September 2017 as a private limited company under the name of MCatch Holdings Sdn. Bhd. and subsequently changed its name to MCOM Holdings Sdn. Bhd. on 20 April 2018. The Company was then converted to a public company and assumed its present name i.e. MCOM Holdings Berhad ("MCOM") on [Date].

The Company is principally engaged in the business of investment holding.

The information of the subsidiaries of MCOM is as follows:

(a) MCOM Messaging Sdn. Bhd. was incorporated on 13 June 2005 in Malaysia as a private limited company and is principally engaged in the business of provision of mobile payment solution services and management services.

(b) MCOM Network Sdn. Bhd. was incorporated on 28 February 2006 in Malaysia as a private limited company and is principally engaged in the business of provision of mobile payment solution services.

(c) MCatch (L) Berhad was incorporated on 15 July 2015 in Labuan as a private limited liability company and is principal engaged in the business of provision of mobile advertising platform services.

(d) MCOM Messaging (Thailand) Co., Ltd was incorporated on 29 July 2010 in Thailand as a private limited company and is principally engaged in the business of provision of mobile payment solution services.

(e) Ivalent Co., Ltd was incorporated on 14 February 2011 in Thailand as a private limited company and is principally engaged in the business of provision of mobile payment solution service. Ivalent Co., Ltd. is a subsidiary of MCOM Messaging (Thailand) Co., Ltd.

(f) Streamer Tech Co., Ltd was incorporated on 24 September 2008 in Thailand as a private limited company and is principally engaged in the business of provision of mobile payment solution services. Streamer Tech Co., Ltd is a subsidiary of Ivalent Co., Ltd.

(g) M-Media Co., Ltd. was incorporated on 28 October 2014 in Cambodia as a private limited company and is principally engaged in the business of provision of internet and related information technology services.

Notes:-

MCOM Messaging Sdn. Bhd.	*- MCOM Messaging (M)*
MCOM Network Sdn. Bhd.	*- MCOM Network*
MCatch (L) Berhad	*- MCatch Labuan*
MCOM Messaging (Thailand) Co., Ltd	*- MCOM Messaging (T)*
Ivalent Co., Ltd.	*- Ivalent*
Streamer Tech Co., Ltd	*- Streamer Tech*
M-Media Co., Ltd.	*- M-Media*

(Collectively defined as "the Group")

2. BASIS OF PREPARATION

For the purposes of the combined financial statements, the entities of the Group consist of companies under common control for the FYE 31 December 2016 and 2017 as set out in Note 1 to the combined financial statements. The audited financial statements are not subjected to any audit qualification, modification and disclaimer.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The combined financial statements of MCOM for the relevant period were prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period.

The identifiable assets of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group.

All material intra-group transactions and balances have been eliminated on combination.

The combined financial statements of the Group are prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

2. BASIS OF PREPARATION (CONT'D)

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	**Effective Date**
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2014 – 2016 Cycles: • Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters • Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

2. BASIS OF PREPARATION (CONT'D)

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

(i) MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

The initial application of MFRS 9 is not expected to have any material impact to the financial statements of the Group for the current financial year and prior periods as the Group will apply the standard retrospectively from 1 January 2018 with the practical expedients permitted under the standard, and that the comparatives (i.e. current period financial information) will not be restated.

Based on the assessments undertaken to date, the Group has determined the impact of its initial application of MFRS 9 as follows:-

<u>Classification and Measurement</u>

The Group does not expect a significant impact on its statements of financial position on applying the classification and measurement requirements of MFRS 9.

Loans and receivables financial assets are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria to be measured at amortised cost under MFRS 9. Therefore, the Group does not expect the standard to affect the measurement of its debt financial assets.

2. BASIS OF PREPARATION (CONT'D)

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows (Cont'd):-

(i) MFRS 9 Financial Instruments (Cont'd)

<u>Impairment of Financial Assets</u>

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. In view of strong creditworthiness of the Group's receivables, the Group has concluded that the expected impacts of ECL on trade and other receivables (including related party balances) are insignificant upon the initial application of MFRS 9.

The analysis above are based on the assessments undertaken to date and maybe subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future.

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Based on the assessments undertaken to date, the Group has determined that the impact on its financial statements upon the initial application of MFRS 15 is insignificant as the timing and amount of revenue to be recognised for the rendering of services under the new standard are unlikely to be materially different from its current practice.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Equipment

The estimates for the residual values, useful lives and related depreciation charges for the equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipate that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of equipment as at the reporting date is disclosed in Note 4 to the financial statements.

(b) Impairment of Non-financial Assets

The Group determines whether its non-financial assets is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of non-financial assets as at the reporting date is disclosed in Note 4 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(c) Impairment of Trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its trade receivables and analyses their ageing profiles, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 6 to the financial statements.

(d) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax assets and current tax liabilities as at the reporting date are RM90,140 (2016 - RM185,182) and RM25,486 (2016 - RM21,425) respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

In the process of applying the Group's accounting policies, the management is not aware of any judgements that have significant effects on the amounts recognised in the financial statements.

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements.

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements of the reporting entity include the financial statements of the parent and its subsidiaries ("the group") made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the group. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF CONSOLIDATION (CONT'D)

(a) Business Combinations (Cont'd)

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

3.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the combined financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(i) Financial Assets at Fair Value through Profit or Loss (Cont'd)

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iii) Loans and Receivables Financial Assets (Cont'd)

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

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

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

As at the end of the reporting period, there were no financial assets classified under this category.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.6 EQUIPMENT

All items of equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation on other equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Office equipment	20%
Furniture and fittings	10% - 20%
Computer	20% - 33%
Renovation	10%
Motor vehicles	20%

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 EQUIPMENT (CONT'D)

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

Capital work-in-progress method in equipment are not depreciated as these assets are not yet available for use.

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 equipment.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

3.7 RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:-

(a) its ability to measure reliably the expenditure attributable to the asset under development;
(b) the product or process is technically and commercially feasible;
(c) its future economic benefits are probable;
(d) its intention to complete and the ability to use or sell the developed asset; and
(e) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a sum-of-digit method over a period of 2 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets (Cont'd)

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.9 LEASED ASSETS

(a) Finance Lease

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

(b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statements of financial position of the Group.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

3.11 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

3.12 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 INCOME TAXES (CONT'D)

(b) Deferred Tax (Cont'd)

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete combined financial statements is available.

3.14 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the combined profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding.

3.15 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable, net of returns, cash and trade discounts.

(a) **Services**

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(b) **Interest Income**

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

4. EQUIPMENT

	Office equipment RM	Furniture and fittings RM	Computer RM	Renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Net book value at 1 January 2016	14,874	28,285	133,035	161,181	421,902	-	759,277
Additions	18,882	-	75,619	-	-	-	94,501
Disposal	(866)	-	-	-	-	-	(866)
Write-off	(2,311)	-	-	-	-	-	(2,311)
Depreciation charges	(6,713)	(7,173)	(58,880)	(49,203)	(107,720)	-	(229,689)
Translation Differences	477	-	586	-	-	-	1,063
Net book value at 31 December 2016/ 1 January 2017	24,343	21,112	150,360	111,978	314,182	-	621,975
Additions	14,797	27,432	97,336	-	211,089	1,473,446	1,824,100
Write-off	(3,771)	-	-	-	-	-	(3,771)
Depreciation charges	(9,045)	(7,989)	(66,572)	(49,203)	(149,937)	-	(282,746)
Translation Differences	(462)	(1,568)	(878)	-	-	(66,175)	(69,083)
Net book value at 31 December 2017	25,862	38,987	180,246	62,775	375,334	1,407,271	2,090,475

	Office equipment RM	Furniture and fittings RM	Computer RM	Renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
At 31.12.2016							
At cost	82,303	138,219	481,755	492,029	538,598	-	1,732,904
Accumulated depreciation	(57,960)	(117,107)	(331,395)	(380,051)	(224,416)	-	(1,110,929)
Net book value	24,343	21,112	150,360	111,978	314,182	-	621,975
At 31.12.2017							
At cost	88,000	164,033	574,153	492,029	749,687	1,407,271	3,475,173
Accumulated depreciation	(62,138)	(125,046)	(393,907)	(429,254)	(374,353)	-	(1,384,698)
Net book value	25,862	38,987	180,246	62,775	375,334	1,407,271	2,090,475

The motor vehicles were acquired under hire purchase terms. The leased assets have been pledged as security for the related finance lease liabilities of the Group as disclosed in Note 13 to the financial statements.

5. INTANGIBLE ASSETS

	<-----------Audited----------> <----FYE 31 December----> 2016 RM	2017 RM
Cost:-		
At 1 January	223,346	192,402
Additional during the financial year	6,455	-
Written off during the financial year	(37,399)	-
At 31 December	192,402	192,402
Amortisation during the financial year	-	(44,253)
	192,402	148,149

The intangible assets comprise the acquisition cost for mobile game applications. The amortisation is recognised in statement of profit or loss and other comprehensive income under the "Other Expenses" line item.

6. TRADE RECEIVABLES

	<-----------Audited----------> <----FYE 31 December----> 2016 RM	2017 RM
Trade receivables	3,626,114	4,167,768
Accrued income	2,190,444	3,288,043
Allowance for impairment losses	(13,348)	(13,348)
Net trade receivables	5,803,210	7,442,463
Allowance for impairment losses:-		
At 1 January	-	13,348
Addition during the financial year	13,348	-
At 31 December	13,348	13,348

(a) The Group's normal trade terms range from 30 to 60 (2016 - 30 to 60) days. Other credit terms are assessed and approved on a case-by-case basis.

(b) Accrued income represents services provided but yet to be billed.

7. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<-----------Audited---------->	
	<----FYE 31 December---->	
	2016	**2017**
	RM	**RM**
Other receivables	1,008,364	1,648,137
Deposits	82,799	258,023
Prepayments	693,331	625,789
	1,784,494	2,531,949

8. AMOUNTS OWING BY/(TO) RELATED PARTIES

	<-----------Audited---------->	
	<----FYE 31 December---->	
	2016	**2017**
	RM	**RM**
Amount owing by related parties		
Trade balance	1,633,070	-
Non-trade balance	2,263,353	-
	3,896,423	-
Amount owing (to) related parties		
Trade balance	(1,363,726)	-
Non-trade balance	1,299,339	633,266
	(64,387)	(633,266)

(a) The trade balance is subject to the normal trade credit terms ranging from 30 to 120 days in the previous financial year.

(b) The non-trade balances represent unsecured, interest free and payments made on behalf. The amounts owing are receivable/(repayable) on demand and are to be settled in cash.

9. FIXED DEPOSIT WITH A LICENSED BANK

The fixed deposit with a licensed bank at the end of the reporting period bore effective interest rates of 2.75% (2016 - 2.75%) per annum. The fixed deposit has maturity period of 3 months (2016 - 3 months).

10. SHARE CAPITAL

The issued and paid-up share capital of the Group is as follows:-

	Audited		Audited	
	<-FYE 31 December->		<-FYE 31 December->	
	2016	2017	2016	2017
	<Numbers of Shares>		RM	RM
Issued and Fully Paid-up:				
Ordinary shares	223,950	224,551	459,723	499,790

(i) The holders of ordinary shares are entitled to receive dividend as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

(ii) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in Malaysia in accordance with the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

For the purpose of this report, the total numbers of shares represent the aggregate number of issued and fully paid-up shares of all combined entities within the Group.

11. RESERVES

		<-----------Audited----------->	
		<----FYE 31 December---->	
		2016	2017
		RM	RM
Appropriate legal reserve	(a)	19,647	19,647
Forex exchange translation reserve	(b)	602,503	16,130
Retained profits		5,848,755	6,494,838
		6,470,905	6,530,615

(a) Appropriate Legal Reserve

The Appropriate Legal Reserve relates to MCOM Messaging (T).

According to Civil Law 1202 Reserve Fund, MCOM Messaging (T) must appropriate to a reserve fund, at each distribution of dividend, at least 5% of the profits arising from the business of MCOM Messaging (T), until the reserve fund reaches 10% of the capital of MCOM Messaging (T) or such higher proportion thereof as may be stipulated in the regulations of MCOM Messaging (T).

The appropriate earnings cannot be deducted from deficit and cannot be paid for dividend.

11. RESERVES (CONT'D)

(b) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

12. NON-CONTROLLING INTERESTS

(a) The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		**<---------- Audited ---------->** **<-----FYE 31 December----->**	
	2016	2017	**2016**	**2017**
	%	%	**RM**	**RM**
MCOM Messaging (T) and its subsidiaries	51	51.25	1,523,461	419,315
M-Media	15	15	55,993	99,370
			1,579,454	518,685

12. NON-CONTROLLING INTERESTS

(b) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	MCOM Messaging (T) and its subsidiaries	
	2016	2017
	RM	RM
At 31 December		
Non-current assets	80,628	113,367
Current assets	7,418,930	7,726,367
Current liabilities	(10,537,567)	(8,556,540)
Non-controlling interests	71,133	(168,734)
Net liabilities	(2,966,876)	(885,540)
Financial Year Ended 31 December		
Revenue	6,166,533	12,286,502
(Loss)/Profit for the financial year	(5,284,607)	2,209,036
Total comprehensive (loss)/income	(5,160,056)	2,000,704
Total comprehensive income attributable to non-controlling interests	(124,552)	208,332
Net cash flows from/(for) operating activities	2,148,136	(2,091,204)
Net cash flows (for)/from investing activities	(221,403)	218,465
Net cash flows (for)/from financial activities	(1,704,088)	1,756,212

13. HIRE PURCHASE PAYABLES

	<-----------Audited-----------> <-----FYE 31 December-----> 2016 RM	2017 RM
Minimum hire purchase payments:		
- not later than 1 year	77,040	108,636
- later than 1 year and not later than 5 years	237,509	255,257
- later than 5 years	-	65,802
	314,549	429,695
Less: future finance charges	(43,154)	(47,236)
Present value of hire purchase payable	271,395	382,459
Analysed by:-		
Current liabilities	66,472	90,462
Non-current liabilities	204,923	291,997
	271,395	382,459

(a) The hire purchase payables are secured by the motor vehicles under finance leases as disclosed in Note 4 to the financial statements.

(b) The hire purchase payables at the end of the reporting period bore an effective interest rate of 4.80% (2016 - 4.98%). The interest rate is fixed at the inception of the hire purchase arrangement.

14. DEFERRED TAX LIABILITIES

	<----------- Audited -----------> <------FYE 31 December------> 2016 RM	2017 RM
At 1 January	-	26,000
Recognised in profit or loss (Note 22)	26,000	-
At 31 December	26,000	26,000

The deferred tax liabilities arise from accelerated capital allowances over depreciation.

15. TRADE PAYABLES

The normal trade terms granted to the Group range from 30 to 90 (2016 - 30 to 90) days.

16. OTHER PAYABLES AND ACCRUALS

	<------------Audited----------->	
	<------FYE 31 December------>	
	2016 RM	2017 RM
Other payables	327,081	425,116
Accruals	1,222,800	969,446
	1,549,881	1,394,562

17. REVENUE

	<--------- Audited --------->	
	<----FYE 31 December---->	
	2016 RM	2017 RM
Services rendered:		
- Mobile payment solutions	7,212,989	13,148,293
- Mobile advertising platform	8,846,053	5,494,694
	16,059,042	18,642,987

(a) Mobile payment solutions

Revenue in respect of micropayment gateway for direct carrier billing services and third party payment gateway. Revenue is recognised on a net basis, which represents the margin earned.

(b) Mobile advertising platform

Revenue in respect of the assists in managing, deploying and monitoring of mobile advertisements. Revenue is recognised when the mobile advertising services is rendered.

18. OTHER INCOME

	<---------- Audited ---------> <----FYE 31 December----> 2016 RM	2017 RM
Included in other income are the following items:-		
Gain on disposal of an associate	1,221,379	-
Gain on foreign exchange:		
- realised	21,693	24,947
- unrealised	-	13,302
Interest income on financial assets not at fair value through profit or loss:		
- fixed deposits with a licensed bank	434	1,186
- others	20,032	21,312
Waiver of debts	249,392	435,836

19. ADMINISTRATIVE EXPENSES

	<---------- Audited ---------> <----FYE 31 December----> 2016 RM	2017 RM
Included in administrative expenses are the following items:-		
Auditors' remuneration:		
- current financial year	70,121	65,193
- overprovision in the previous financial year	(12,100)	(1,400)
Directors' remuneration:		
- fees	217,929	152,029
Directors' non-fee emoluments:		
- salaries, bonuses and allowances	787,995	1,214,993
- defined contributions benefits	134,487	154,090
Rental of equipment	2,856	2,856
Rental of premises	198,182	204,660
Staff cost:		
- salaries and other benefits	1,831,176	2,090,301
- defined contribution benefits	127,159	152,515

20. OTHER EXPENSES

	<---------- Audited ---------> <----FYE 31 December----> 2016 RM	2017 RM
Included in other expenses are the following items:-		
Allowance for impairment losses on trade receivables	13,348	-
Amortisation of intangible assets	-	44,253
Bad debts written off	-	314,047
Depreciation of equipment	229,689	282,746
Equipment written off	2,311	3,771
Intangible assets written off	37,399	-
Loss on disposal of equipment	865	-
Loss on foreign exchange:		
- unrealised	339,708	-

21. FINANCE COSTS

	<---------- Audited ---------> <----FYE 31 December----> 2016 RM	2017 RM
Included in finance costs are the following item:-		
Interest expense on financial liability not at fair value through profit or loss:		
- hire purchase	10,568	28,066

22. INCOME TAX EXPENSE

	<-------------Audited----------->	
	<------FYE 31 December------>	
	2016	2017
	RM	RM
Current tax expense:		
- for the financial year	160,746	307,389
- overprovision in the previous financial year	(4,151)	(35,843)
	156,595	271,546
Deferred tax (Note 14):		
- origination and reversal of temporary differences	26,000	-
	182,595	271,546

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:-

	<-------------Audited----------->	
	<------FYE 31 December------>	
	2016	2017
	RM	RM
Profit before taxation	311,958	6,902,719
Tax at the applicable statutory tax rate 24% (2016 - 24%)	74,870	1,656,653
Tax effects of:-		
Non-deductible expenses	1,392,430	318,107
Non-taxable income	(293,131)	(3,801)
Deferred tax assets not recognised for the financial year	60,685	180,680
Utilisation of deferred tax asset previously not recognised	(354,826)	(329,786)
Differential in tax rates	(693,282)	(1,514,464)
Overprovision in the previous financial year	(4,151)	(35,843)
Income tax expense for the financial year	182,595	271,546

22. INCOME TAX EXPENSE (CONT'D)

No deferred tax assets are recognised by the Group in respect of the following items:-

	<-------------Audited----------->	
	<------FYE 31 December------>	
	2016 RM	2017 RM
Unused tax losses and unabsorbed capital allowances	1,576,000	992,000
Other deductible differences	32,000	(6,000)
Provisions	13,000	13,000
	1,621,000	999,000

MCOM Messaging (M) and MCOM Network

On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate from 24% to a range of 20% to 24% based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment for years of assessment 2017 and 2018.

The corporate tax rate of the Company on the first RM500,000 of chargeable income is 18% (2016 - 19%). The tax rate applicable to the balance of the chargeable income is 24% and will be reduced by 1% to 4% based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment (2016 - 24%).

MCatch Labuan

This is in respect of the tax payable under the Labuan Business Activitiy Tax Act, 1990 ("LBATA") and is computed based on RM20,000 upon election made under Section 7(1) of the said Act.

MCOM Messaging (T) and M-Media

The corporate tax rate of chargeable income is 20% (2016 - 20%).

Ivalent & Steamer Tech

The corporate tax rate of chargeable income is 10% (2016 - 10%).

23. OTHER COMPREHENSIVE INCOME

	<-----------Audited---------->	
	<----FYE 31 December---->	
	2016	**2017**
	RM	**RM**
Item that May be Reclassified Subsequently to Profit or Loss		
Foreign currency translation:		
- changes during the financial year	411,220	(538,514)

24. EARNINGS PER SHARE

	<-----------Audited----------->	
	<-----FYE 31 December----->	
	2016	**2017**
Profit attributable to owners of the Company (RM)	2,124,909	5,588,810
Number of ordinary shares	223,950	224,551
Basic earnings per share (sen)	9.49	24.89

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

25. DIVIDENDS

	<--------- Audited ---------> <----FYE 31 December----> 2016 RM	2017 RM
Interim dividends paid in respect of the following financial year:-		
31 December 2017:		
- final dividend of RM34,144 equivalent per ordinary share	-	3,414,371
- interim single tier dividend of RM3 per ordinary share	-	300,000
- interim single tier dividend of RM12.51 per ordinary share	-	1,251,000
	-	4,965,371

26. CASH FLOW INFORMATION

(a) The cash disbursed for purchase of equipment is as follows:-

	<------------Audited ---------->	
	<------FYE 31 December------>	
	2016	**2017**
	RM	**RM**
Cost of equipment purchased	94,501	1,824,100
Amount financed through hire purchase	-	(189,000)
Cash disbursed for purchase of equipment	94,501	1,635,100

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Hire purchases RM	Total RM
The Group		
2017		
At 1 January	271,395	271,395
Changes in Financing Cash Flows		
Repayment of borrowing principal	(77,936)	(77,936)
Repayment of borrowing interests	(28,066)	(28,066)
Advances from holding company	-	-
	(106,002)	(106,002)
Non-cash Changes		
New hire purchase	189,000	189,000
Finance charges recognised in profit or loss	28,066	28,066
Foreign exchange translation	-	-
	217,066	217,066
At 31 December	382,459	382,459

Comparative information is not presented by virtue of the exemption given in MFRS 107.

26. CASH FLOW INFORMATION (CONT'D)

(c) The cash and cash equivalents comprise the following:-

	<-----------Audited --------->	
	<------FYE 31 December------>	
	2016	2017
	RM	RM
Cash and bank balances	1,342,170	1,407,511
Fixed deposits with a licensed bank	11,156	11,466
Cash and cash equivalents	1,353,326	1,418,977

27. KEY MANAGEMENT PERSONNEL

The key management personnel of the Group include executive director and non-executive directors of the Group.

The key management personnel compensation during the financial year are as follows:

	<-----------Audited --------->	
	<------FYE 31 December------>	
	2016	2017
	RM	RM
Directors of the Company		
Short-term employee benefits:		
- fees	217,929	152,029
- salaries, bonuses and allowances	787,995	1,214,993
	1,005,924	1,367,022
Defined contribution benefits	134,487	154,090
	1,140,411	1,521,112
Directors of the Subsidiaries		
Director's fees	-	136,553
Other Key Management Personnel		
Short-term employee benefits	-	126,836
Defined contribution benefits	-	15,312
Total compensation for other key management personnel	-	142,148

28. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly 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.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions with the related parties during the financial year:-

	<---------- Audited ---------->	
	<----FYE 31 December----->	
	2016	**2017**
	RM	**RM**
Management fee charged to a related party		
- MCatch Co., Ltd	268,080	108,000
Technical and maintenance fees charged to a related party		
- MCatch Co., Ltd	-	269,400
Purchases from related parties		
- MCatch Co., Ltd	153,035	142,861
- MCOM International Ltd	595,265	60,224
Rental of premises charged by a related party		
- BHC Holdings Sdn Bhd (Formerly known as MCom Media Technology Sdn. Bhd.)	45,000	48,000
Rental of motor vehicles charged by a related party		
- BHC Holdings Sdn Bhd (Formerly known as MCom Media Technology Sdn. Bhd.)	-	108,000
Dividends paid to a related party		
- MCatch Co., Ltd	-	4,965,371
Disposal of an associate to a related party		
- MCatch Co., Ltd	1,390,379	-

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

29. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the directors as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products provided.

The Group is organised into 4 main reportable segments as follows:-

(a) Mobile Payment Solutions

(b) Mobile Advertising Platform

(c) Internet Service

(d) Investment Holding.

The management assesses the performance of the reportable segments based on their profit before interest expense and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on combination.

29. OPERATING SEGMENTS (CONT'D)

29.1 BUSINESS SEGMENTS

Audited FYE 31 December 2016	Mobile Payment Solutions RM	Mobile Advertising Platform RM	Internet Service RM	Investment Holding RM	Group RM
Revenue					
External revenue	7,212,988	8,846,054	-	-	16,059,042
Inter-segment revenue	3,398,259	6,270,195	-	-	9,668,454
	10,611,247	15,116,249	-	-	25,727,496
Combined eliminations					(9,668,454)
Combined revenue					16,059,042
Results					
Segment profit before interest and taxation	(3,303,496)	3,874,464	(248,442)	-	322,526
Finance costs	(10,568)	-	-	-	(10,568)
Combined profit before taxation	(3,314,064)	3,874,464	(248,442)	-	311,958
Segment profit before interest and taxation includes the following:-					
Allowance for impairment losses on trade receivables	13,348	-	-	-	13,348
Depreciation of equipment	229,276	-	413	-	229,689
Equipment written off	2,311	-	-	-	2,311
Interest expense	10,568	-	-	-	10,568
Intangible assets written off	37,399	-	-	-	37,399
Loss on disposal of equipment	865	-	-	-	865
Loss/(Gain) on foreign exchange:					
- realised	(13,221)	(8,505)	33	-	(21,693)
- unrealised	333,849	5,859	-	-	339,708
Gain on disposal of an associate	(1,221,379)	-	-	-	(1,221,379)
Interest income on financial assets not at fair value through profit or loss:					
- fixed deposits with a licensed bank	(434)	-	-	-	(434)
- others	(20,032)	-	-	-	(20,032)
Waiver of debts	(249,392)	-	-	-	(249,392)

29. OPERATING SEGMENTS (CONT'D)

29.1 BUSINESS SEGMENTS (CONT'D)

Audited FYE 31 December 2016	Mobile Payment Solutions RM	Mobile Advertising Platform RM	Internet Service RM	Investment Holding RM	Group RM
Assets					
Segment assets	11,142,722	11,926,278	86,678	-	23,155,678
Unallocated assets:					
- current tax assets					185,182
Combined adjustments/ eliminations					(9,433,523)
Combined total assets					13,907,337
Additions to non-current assets other than financial instruments:-					
- Equipment	94,501	-	-	-	94,501
Liabilities					
Segment liabilities	11,504,684	6,343,823	459,968	-	18,308,475
Unallocated liabilities:					
- deferred tax liabilities					26,000
- current tax liabilties					21,425
Combined adjustments/ eliminations					(9,799,737)
Combined total liabilities					8,556,163

29. OPERATING SEGMENTS (CONT'D)

29.1 BUSINESS SEGMENTS (CONT'D)

Audited FYE 31 December 2017	Mobile Payment Solutions RM	Mobile Advertising Platform RM	Internet Service RM	Investment Holding RM	Group RM
Revenue					
External revenue	13,148,293	5,494,694	-	-	18,642,987
Inter-segment revenue	3,543,937	7,077,660	-	-	10,621,597
	16,692,230	12,572,354	-	-	29,264,584
Combined eliminations					(10,621,597)
Combined revenue					18,642,987
Results					
Segment profit before interest and taxation	1,722,164	5,705,919	(344,791)	(152,507)	6,930,785
Finance costs	(28,066)	-	-	-	(28,066)
Combined profit before taxation	1,694,098	5,705,919	(344,791)	(152,507)	6,902,719
Segment profit before interest and taxation includes the following:-					
Amortisation of intangible assets	44,253	-	-	-	44,253
Bad debts written off	314,047	-	-	-	314,047
Depreciation of equipment	281,421	-	1,325	-	282,746
Equipment written off	3,771	-	-	-	3,771
Interest expense on financial liability not at fair value through profit or loss:					
- hire purchase	28,066	-	-	-	28,066
Gain on foreign exchange:					
- realised	(99,174)	48,824	25,403	-	(24,947)
- unrealised	830	(14,132)	-	-	(13,302)
Interest income on financial assets not at fair value through profit or loss:					
- fixed deposits with a licensed ban	(1,186)	-	-	-	(1,186)
- others	(21,312)	-	-	-	(21,312)
Waiver of debts	(435,836)	-	-	-	(435,836)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

29. OPERATING SEGMENTS (CONT'D)

29.1 BUSINESS SEGMENTS (CONT'D)

Audited FYE 31 December 2017	Mobile Payment Solutions RM	Mobile Advertising Platform RM	Internet Service RM	Investment Holding RM	Group RM
Assets					
Segment assets	12,713,384	8,331,381	1,796,732	2	22,841,499
Unallocated assets:					
- current tax assets					90,140
Combined adjustments/ eliminations					(9,141,967)
Combined total assets					13,789,672
Additions to non-current assets other than financial instruments:-					
- Property, plant and equipment	672,515	-	1,151,585	-	1,824,100
Liabilities					
Segment liabilities	12,655,347	1,139,533	2,459,200	152,507	16,406,587
Unallocated liabilities:					
- deferred tax liabilities					26,000
- current tax liabilities					25,486
Combined adjustments/ eliminations					(9,180,121)
Combined total liabilities					7,277,952

29. OPERATING SEGMENTS (CONT'D)

29.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

	Audited FYE 31 December 2016 RM	Audited FYE 31 December 2017 RM
Group		
- Malaysia	778,376	396,075
- Thailand	6,237,124	13,294,961
- China	44,992	1,973,924
- Hong Kong	1,046,113	2,292,892
- Singapore	4,647,465	530,067
- United States	2,593,838	-
- Others	711,134	155,068
	16,059,042	18,642,987

29.3 MAJOR CUSTOMERS

	Audited Revenue 2016 RM	Audited Revenue 2017 RM	Segment
Customer 1	7,677,539	12,334,783	Mobile Payment Solutions
Customer 2	-	4,764,661	Mobile Payment Solutions
Customer 3	2,894,381	4,253,839	Mobile Payment Solutions
Customer 4	4,647,465	-	Mobile Advertising Platform
Customer 5	2,534,690	-	Mobile Advertising Platform

The above revenue from major customers are based on the sales proceeds amount.

30. CAPITAL COMMITMENT

	<------------Audited------------>	
	<-------FYE 31 December-------->	
	2016	2017
	RM	RM
Purchase of equipment	1,662,010	-

31. FOREIGN EXCHANGE RATE

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	<------------Audited------------>	
	<-------FYE 31 December-------->	
	2016	2017
	RM	RM
United States Dollar	4.486	4.062
Thai Baht	0.129	0.124
Hong Kong Dollar	0.579	0.520

32. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

32.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of major areas of treasury activity are as follows:

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Thai Baht ("THB") and Hong Kong Dollar ("HKD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

MCOM HOLDINGS BERHAD
(Formerly known as MCatch Holdings Sdn. Bhd.)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(I) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

	<---Audited--->				
	<---FYE 31 December--->				
	USD	THB	HKD	RM	Total
2016	**RM**	**RM**	**RM**	**RM**	**RM**
Financial Assets					
Trade receivables	2,124,776	1,409,200	-	78,790	3,612,766
Other receivables and deposits	173,285	816,282	-	20,102	1,009,669
Amount owing by related parties	2,117,312	(144,018)	-	1,923,129	3,896,423
Fixed deposit with a licensed banks	-	-	-	11,156	11,156
Cash and bank balances	225,271	819,542	-	297,357	1,342,170
	4,640,644	2,901,006	-	2,330,534	9,872,184
Financial Liabilities					
Trade payables	4,642,423	1,885,612	-	95,040	6,623,075
Other payables and accruals	127,917	732,813	-	370,818	1,231,548
Amount owing to related parties	1,363,726	(240,124)	-	(1,059,215)	64,387
Hire purchase payables	-	-	-	271,395	271,395
	6,134,066	2,378,301	-	(321,962)	8,190,405
Net financial (liabilities)/assets	(1,493,422)	522,705	-	2,652,496	1,681,779
Less: Net financial (liabilities)/ assets denominated in the entity's functional currency	1,526,501	(522,705)	-	(2,652,496)	(1,648,700)
Currency exposure	33,079	-	-	-	33,079

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

	<---Audited--->				
	<---FYE 31 December--->				
	USD RM	THB RM	HKD RM	RM RM	Total RM
2017					
Financial Assets					
Trade receivables	1,857,930	2,267,283	-	29,207	4,154,420
Other receivables and deposits	133,628	1,343,869	-	81,007	1,558,504
Fixed deposits with licensed banks	-	-	-	11,466	11,466
Cash and bank balances	620,192	672,513	-	114,806	1,407,511
	2,611,750	4,283,665	-	236,486	7,131,901
Financial Liabilities					
Trade payables	927,785	3,784,072	-	104,322	4,816,179
Other payables and accruals	100,006	247,361	197,030	506,242	1,050,639
Amount owing to related parties	161,286	-	366,209	105,771	633,266
Hire purchase payables	-	-	-	382,459	382,459
	1,189,077	4,031,433	563,239	1,098,794	6,882,543
Net financial assets/(liabilities)	1,422,673	252,232	(563,239)	(862,308)	249,358
Less: Net financial assets/ (liabilities) denominated in the entity's functional currency	(1,299,158)	(252,232)	-	862,308	(689,082)
Currency exposure	123,515	-	(563,239)	-	(439,724)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	<------------Audited------------>	
	<------FYE 31 December------>	
	2016	2017
	RM	RM
Effects on Profit After Taxation		
USD/RM		
– strengthened by 10%	+ 2,514	+ 9,387
– weakened by 10%	- 2,514	- 9,387
HKD/RM		
– strengthened by 10%	-	- 42,806
– weakened by 10%	-	+ 42,806
Effects on Other Comprehensive Income		
USD/RM		
– strengthened by 10%	-	-
– weakened by 10%	-	-
HKD/RM		
– strengthened by 10%	-	-
– weakened by 10%	-	-

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its interest-bearing borrowings. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed deposits with a licensed bank are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither their carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group does not have any floating interest rate borrowings and hence, no sensitivity analysis is presented.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 120 days, which are deemed to have higher credit risk, are monitored individually.

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade receivables as appropriate. The allowance is a specific loss component that relates to individually significant exposures, and a collective loss component established for the Group of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the trade receivables (including related parties) as at the end of the reporting period is as follows:-

	<--------------Audited----------->	
	<-------FYE 31 December------->	
	2016	**2017**
Number of customers	4	5
Percentage	77%	86%

(ii) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group after deducting any allowance for impairment losses (where applicable).

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing analysis

The ageing analysis of the Group's trade receivables (including amount owing by related parties and exclude accrued income) at the end of the reporting period is as follows:-

	Audited FYE 31 December			
	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2016				
Not past due	2,624,419	-	-	2,624,419
Past due:				
- less than 3 months	2,305,507	-	-	2,305,507
- 3 to 6 months	256,036	-	-	256,036
- more than 6 months	73,222	(13,348)	-	59,874
	5,259,184	(13,348)	-	5,245,836
2017				
Not past due	3,340,576	-	-	3,340,576
Past due:				
- less than 3 months	649,776	-	-	649,776
- 3 to 6 months	164,068	-	-	164,068
- more than 6 months	13,348	(13,348)	-	-
	4,167,768	(13,348)	-	4,154,420

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of these receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

		<------ Audited ------>				
		<------ FYE 31 December ------>				
2016	**Contractual Interest Rate** %	**Carrying Amount** RM	**Contractual Undiscounted Cash Flows** RM	**Within 1 Year** RM	**1 – 5 Years** RM	**Over 5 Years** RM
Non-derivative Financial Liabilities						
Trade payables	-	6,623,075	6,623,075	6,623,075	-	-
Other payables and accruals	-	1,231,548	1,231,548	1,231,548	-	-
Amount owing to related parties	-	64,387	64,387	64,387	-	-
Hire purchase payables	4.98	271,395	314,549	77,040	237,509	-
		8,190,405	8,233,559	7,996,050	237,509	-

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

		<---- Audited ----				
		<---- FYE 31 December ----				
2017	**Contractual Interest Rate** %	**Carrying Amount** RM	**Contractual Undiscounted Cash Flows** RM	**Within 1 Year** RM	**1 – 5 Years** RM	**Over 5 Years** RM
Non-derivative Financial Liabilities						
Trade payables	-	4,816,179	4,816,179	4,816,179	-	-
Other payables and accruals	-	1,050,639	1,050,639	1,050,639	-	-
Amount owing to related parties	-	633,266	633,266	633,266	-	-
Hire purchase payables	4.80	382,459	429,695	108,636	255,257	65,802
		6,882,543	6,929,779	6,608,720	255,257	65,802

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. As the Group has insignificant external borrowings, the debt-to-equity ratio is not presented as it may not provide a meaningful indicator of the risk of borrowings.

32.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	<---------- Audited ---------->	
	<-----FYE 31 December----->	
	2016	**2017**
	RM	**RM**
Financial Asset		
Loans and receivables financial assets		
Trade receivables	3,612,766	4,154,420
Other receivables and deposits	1,009,669	1,558,504
Amount owing by related parties	3,896,423	-
Fixed deposit with a licensed bank	11,156	11,466
Cash and bank balances	1,342,170	1,407,511
	9,872,184	7,131,901
Financial Liability		
Other financial liabilities		
Trade payables	6,623,075	4,816,179
Other payables and accruals	1,231,548	1,050,639
Amount owing to related parties	64,387	633,266
Hire purchase payables	271,395	382,459
	8,190,405	6,882,543

32. FINANCIAL INSTRUMENTS (CONT'D)

32.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	<---------- Audited ---------->	
	<-----FYE 31 December----->	
	2016	2017
	RM	RM
Financial Assets		
Loans and Receivables Financial Assets		
Net gains/(losses) recognised in profit or loss	22,952	(253,295)
Financial Liabilities		
Financial Liabilities Measured at Amortised Cost		
Net (losses)/gains resognised in profit or loss	(95,025)	407,765

32.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The fair value of hire purchases that carry fixed interest rates approximated their carrying amounts as the impact of discounting is not material. The fair value is determined by discounting the referent cash flows using current market interest rates for similar interest of 4.80% (2016 - 4.98%) and the fair value is within level 2 of the fair value hierarchy.

33. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The Malaysian Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that have affected the financial statements of the Group and of the Company upon its initial implementation are:-

(i) removal of the authorised share capital; and
(ii) ordinary shares will cease to have par value.

The Companies Act 2016 has been applied prospectively and the impacts of implementation are disclosed in respective note to the financial statements.

34. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 15 April 2018, MCatch Labuan declared an interim dividend of USD4,000 per ordinary share amounting to USD400,000 in respect of the financial year ending 31 December 2018.

(b) On 18 May 2018, MCOM Messaging (T) increased its issued and paid-up share capital from THB4,000,000 to THB5,050,000 by way of an issuance of 10,500 preference shares of THB100 each to an individual shareholder.

(c) On 23 May 2018, MCatch Co.,Ltd. ("MCatch Hong Kong") allotted 400,000 ordinary shares of USD1.00 each in MCatch Labuan for a total consideration of USD400,000 through repatriation of interim dividend as disclosed in Note 34(a). Following the completion of the allotment, MCatch Labuan remained a wholly owned subsidiary of MCatch Hong Kong.

(d) On 15 June 2018, Liew Seng Aun has resigned as director of MCOM.

(e) On 5 July 2018, MCOM increased its paid up share capital from RM2 to RM8 by way an allotment of six new ordinary shares. The new ordinary shares issued rank *pari passu* with the existing shares of the Company.

(f) On 6 July 2018, Ho Kim Hun, Chew Lee Poh and Foo Seck Chyn have been appointed as directors of MCOM.

(g) On 13 July 2018, Pang Nam Ming has resigned as a director of MCOM.

(h) MCOM entered into share sale and purchase agreements with MCatch Hong Kong to acquire the equity interests of the following companies:-

   (i) On 25 July 2018, MCOM completed the acquisition of the entire equity interest of MCatch Labuan comprising 400,100 ordinary shares for a purchase consideration of USD1,765,915 (equivalent to RM7,025,693 at the exchange rate as at 31 May 2018 of 1 USD for RM3.9785), satisfied through the issuance of 140,513,860 new MCOM shares at RM0.05 each to MCatch Hong Kong. The purchase consideration of USD1,765,915 for the acquisition of MCatch Hong Kong was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration MCatch Labuan's audited NA of USD1,765,915 (equivalent to RM7,025,693 at the same exchange rate) as at 31 December 2017.

   (ii) On 25 July 2018, MCOM completed the acquisition of the entire equity interest of MCOM Messaging (M) comprising 100,000 ordinary shares for a purchase consideration of RM100,000, satisfied through the issuance of 2,000,000 new MCOM Shares at RM0.05 each to MCatch Hong Kong. The purchase consideration of RM100,000 for the acquisition of MCOM Messaging (M) was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration MCOM Messaging (M)'s audited NA of RM99,630 as at 31 December 2017.

34. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONT'D)

(h) MCOM entered into share sale and purchase agreements with MCatch Hong Kong to acquire the equity interests of the following companies (Cont'd):-

(iii) On 25 July 2018, MCOM completed the acquisition of the entire equity interest of MCOM Network comprising 100,000 ordinary shares for a purchase consideration of RM732,569, satisfied through the issuance of 14,651,380 new MCOM Shares at RM0.05 each to MCatch Hong Kong. The purchase consideration of RM732,569 for the acquisition of MCOM Network was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration MCOM Network's audited NA of RM732,569 as at 31 December 2017.

(iv) On 25 July 2018, MCOM completed the acquisition of 47.525% equity interest of MCOM Messaging (T) comprising 24,000 ordinary shares for a purchase consideration of USD75,029 (equivalent to RM298,503 at the exchange rate as at 31 May 2018 of 1 USD for RM3.9785), satisfied through the issuance of 5,970,060 new MCOM Shares at RM0.05 each to MCatch Hong Kong. The purchase consideration of USD75,029 for the acquisition of MCOM Messaging (T) was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration 47.525% of MCOM Messaging (T)'s issued share capital of THB5,050,000 (equivalent to RM628,104 at the same exchange rate as at 31 May 2018 of THB100 for RM12.4377) as at 31 December 2017, as MCOM Messaging (T) has net liabilities of THB5,796,497 (equivalent to RM720,951 at the same exchange rate) as at 31 December 2017.

(v) On 25 July 2018, MCOM completed the acquisition of 34.99% equity interest of Ivalent comprising 3,499 ordinary shares for a purchase consideration of USD10,939 (equivalent to RM43,521 at the exchange rate as at 31 May 2018 of 1 USD for RM3.9785), satisfied through the issuance of 870,420 new MCOM Shares at RM0.05 each to MCatch Hong Kong. The purchase consideration of USD10,939 for the acquisition of Ivalent was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration 34.99% of Ivalent's issued share capital of THB1,000,000 (equivalent to RM124,377 at the exchange rate as at 31 May 2018 of THB100 for RM12.4377) as at 31 December 2017, as Ivalent has net liabilities of THB1,780,082 (equivalent to RM221,401 at the same exchange rate) as at 31 December 2017.

(vi) On 25 July 2018, MCOM completed the acquisition of 5.00% equity interest of Streamer Tech comprising 500 ordinary shares for a purchase consideration of USD8,119 (equivalent to RM32,301 at the exchange rate as at 31 May 2018 of 1 USD for RM3.9785), satisfied through the issuance of 646,020 new MCOM Shares at RM0.05 each to MCatch Hong Kong. The purchase consideration of USD8,119 for the acquisition of Streamer Tech was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration 5.00% of Streamer Tech's audited NA of THB5,193,994 (equivalent to RM646,013 at the exchange rate as at 31 May 2018 of THB100 for RM12.4377) as at 31 December 2017.

34. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONT'D)

(h) MCOM entered into share sale and purchase agreements with MCatch Hong Kong to acquire the equity interests of the following companies (Cont'd):-

(vii) On 25 July 2018, MCOM completed the acquisition of 85.00% equity interest of M-Media comprising 850 ordinary shares for a purchase consideration of USD4,250 (equivalent to RM16,908 at the exchange rate as at 31 May 2018 of 1 USD for RM3.9785), satisfied through the issuance of 338,160 new MCOM Shares at RM0.05 each to MCatch Hong Kong. The purchase consideration of USD4,250 was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration 85.00% of M-Media's issued share capital of USD5,000 (equivalent to RM19,893 at the same exchange rate) as at 31 December 2017, as M-Media has net liabilities of USD163,089 (equivalent to RM648,850 at the same exchange rate) as at 31 December 2017.

Upon completion of the acquisitions, MCatch Labuan, MCOM Messaging (M), MCOM Network, MCOM Messaging (T), Ivalent, Streamer Tech and M-Media became MCOM's subsidiaries and MCOM's share capital would increase from 8 MCOM Shares to 164,989,908 MCOM Shares. Consequently, MCatch Hong Kong BHC Holdings Sdn. Bhd. became the immediate and holding company of MCOM respectively.

(i) The Subscriptions by Pre-IPO Investor was completed on 16 October 2018 with the issuance of 4,714,000 new MCOM Shares for a cash consideration of 1,084,220 at the issue price of RM0.23 each to an independent individual (not connected to nor has any direct relationship with our Promoters, Directors and substantial shareholders), namely Dato' Sri Chiang Fong Yee. The Subscriptions by Pre-IPO Investors was undertaken to facilitate funding for the working capital requirement of the Group. Upon completion of the Subscriptions by Third Parties, our share capital increased from 164,989,908 MCOM Shares to 169,703,908 MCOM Shares.

(j) On 7 November 2018, the Company converted from a private company to a public company and accordingly the name of the Company has been changed from "MCOM HOLDINGS SDN. BHD." to "MCOM HOLDINGS BERHAD".

Company No. 1248277-X

MCOM HOLDINGS BERHAD
(Formerly known as MCatch Holdings Sdn. Bhd.)

STATEMENT BY DIRECTORS

We, Ho Kim Hun and Chew Lee Poh, being two of the directors of MCOM Holdings Berhad (formerly known as MCatch Holdings Sdn. Bhd.), state in the opinion of the directors, the combined financial statements set out on pages 4 to 72 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as of 31 December 2016 and 2017, and of their financial performance and cash flows for the financial years ended 31 December 2016 and 2017.

Signed in accordance with a resolution of the director dated 28 DEC 2018

Ho Kim Hun | **Chew Lee Poh**