



FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of provision of management services and investment holding.

The principal activities of its subsidiary companies are disclosed in Note 7 to the financial statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Net loss for the financial year, attributable to owners of the parent	(5,178,154)	(3,786,055)

RESERVES AND PROVISIONS

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

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial period. The Directors do not recommend any dividend in respect of the current financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company has completed its corporate exercises as follows:

- (i) increased its issued and paid-up share capital from RM13,895,640 to RM27,791,280 through the issuance of 138,956,400 new ordinary shares of RM0.10 each for cash arising from the rights issue with free detachable warrants; and
- (ii) increased its issued and paid-up share capital from RM27,791,280 to RM28,112,280 through the issuance of 3,210,000 new ordinary shares of RM0.10 each for cash arising from the exercise of Share Issuance Scheme ("SIS") Options at a weighted average exercise price of RM0.183 per ordinary share.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

WARRANT RESERVE

The Warrants were constituted under the Deed Poll dated 19 November 2014 as disclosed in the Note 15(b) to the financial statements.

As at 31 December 2015, the total numbers of Warrants that remain unexercised were 138,956,400.

DIRECTORS' REPORT (cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the SIS.

At an extraordinary general meeting held on 15 November 2014, the Company's shareholders approved the establishment of SIS of not more than 30% of the issued and paid-up share capital of the Company at the point of time throughout the duration of the scheme to eligible Directors and employees of the Group. The salient features and other terms of the SIS are disclosed in the Note 27 to the financial statements.

As at 31 December 2015, the options offered to take up unissued ordinary shares of RM0.10 each and the exercise prices are as follows:

Date of offer	Exercise price	Number of options over ordinary shares of RM0.10 each			
		At 1.1.2015	Granted	Exercised	At 31.12.2015
24 March 2015	0.183	–	70,000,000	(3,210,000)	66,790,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of option holders, other than Directors, who have been granted options to subscribe for less than 1,960,000 ordinary shares of RM0.10 each. The names of option holders who have been granted options to subscribe for 1,960,000 or more ordinary shares of RM0.10 each during the financial year are as follows:

Name	Number of options
Francis Fernandez A/L A M Fernandez	2,000,000
Jonathan Tan Lonn Lian	2,940,000
Lim Chee Seong	3,000,000
Mohd Nazifuddin Bin Mohd Najib	8,000,000
Ray Yong See Wei	1,960,000
Shu Ling Ling	3,000,000
Thong Choi Wan	4,000,000
Yong Mai Fang	7,100,000

Details of options granted to Directors are disclosed in the section of Directors' Interests in this report.

DIRECTORS

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

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	
Toh Hong Chye	
Wong Ngai Peow	
Low Kim Leng	
Ng Kok Wah	
Dato' Lai Wen Shian	(resigned on 26.05.2015)
Tan Fie Jen	(resigned on 31.07.2015)

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS

The interests and deemed interests in the shares, warrants and options over the shares of the Company or its related corporations (other than wholly owned subsidiary companies) by the Directors in office at the end of the financial year according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.10 each				At 31.12.2015
	At 1.1.2015	Acquired	Rights issued	Sold	
Interests in the Company					
Direct interests					
Toh Hong Chye	2,805,700	27,197,200	–	–	30,002,900
Wong Ngai Peow	3,000	100,000	–	–	103,000
Low Kim Leng	–	450,000	–	–	450,000
Indirect interests					
* Toh Hong Chye	3,000,000	27,000,000	–	–	30,000,000

	Number of Warrants			At 31.12.2015
	At 1.1.2015	Acquired	Sold	
Interests in the Company				
Direct interests				
Toh Hong Chye	2,000,000	15,000,000	–	17,000,000
Wong Ngai Peow	1,500	–	–	1,500
Indirect interests				
* Toh Hong Chye	3,000,000	–	–	3,000,000

	Number of options over ordinary shares of RM0.10 each			At 31.12.2015
	At 1.1.2015	Grant	Exercised	
Interests in the Company				
Direct interests				
Datuk Wira Rahadian Mahmud				
Bin Mohammad Khalil	–	1,500,000	–	1,500,000
Toh Hong Chye	–	8,300,000	–	8,300,000
Wong Ngai Peow	–	7,000,000	–	7,000,000
Low Kim Leng	–	1,500,000	–	1,500,000
Ng Kok Wah	–	1,500,000	–	1,500,000

* *Deemed interest pursuant to Section 6A of the Companies Act, 1965 ("the Act") by virtue of his substantial shareholdings in Richmond Virginia Tobacco Sdn. Bhd.*

None of the other Directors in office at the end of the financial year had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial period, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 29(b) to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from warrants and share options granted under SIS as disclosed in the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and no allowance for doubtful debts was required; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render it necessary to make any allowance for doubtful debts in the financial statements of the Group and of the Company or the amount written off for bad debts inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
 - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT **(cont'd)**

OTHER STATUTORY INFORMATION (CONT'D)

(d) In the opinion of the Directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in the notes to the financial statements; and
- (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

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

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 35 to the financial statements.

AUDITORS

The Auditors, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 11 April 2016.

TOH HONG CHYE

WONG NGAI PEOW

KUALA LUMPUR

STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 43 to 113 are drawn up in accordance with Malaysian Financial Reporting Standards, International Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 39 to the financial statements on page 114 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 11 April 2016.

TOH HONG CHYE

WONG NGAI PEOW

KUALA LUMPUR

STATUTORY DECLARATION

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

I, **TOH HONG CHYE**, being the Director primarily responsible for the financial management of **AppAsia Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 43 to 114 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the state)
of Federal Territory on 11 April 2016)

TOH HONG CHYE

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

OF APPASIA BERHAD (COMPANY NO.: 643683-U) (INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AppAsia Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 113.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (ii) We have considered the financial statements and the auditors' reports of the subsidiary company of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.
- (iii) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (iv) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 39 on page 114 is solely disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

UHY

Firm Number: AF 1411
Chartered Accountants

NG WEI TEIK

Approved Number: 1817/12/16 (J)
Chartered Accountant

KUALA LUMPUR
11 April 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	1,289,728	331,998	726,532	160,953
Investment properties	5	1,287,440	1,328,080	–	–
Product development expenditure	6	–	–	–	–
Investment in subsidiary companies	7	–	–	11,506,504	9,506,504
		2,577,168	1,660,078	12,233,036	9,667,457
Current Assets					
Inventories	8	531,776	–	–	–
Trade receivables	9	517,353	1,400,038	–	–
Other receivables	10	1,877,096	800,056	1,634,331	438,020
Amount due from subsidiary companies	11	–	–	4,119,531	4,415,226
Tax recoverable		85,230	69,022	–	–
Fixed deposits with licensed banks	12	241,954	308,158	–	–
Cash and bank balances	13	11,475,892	2,178,816	8,574,091	624,274
		14,729,301	4,756,090	14,327,953	5,477,520
Total Assets		17,306,469	6,416,168	26,560,989	15,144,977

STATEMENTS OF FINANCIAL POSITION (cont'd)

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
EQUITY					
Share capital	14	28,112,280	13,895,640	28,112,280	13,895,640
Reserves	15	(12,934,667)	(8,971,528)	(2,848,747)	(280,203)
Total Equity		15,177,613	4,924,112	25,263,533	13,615,437
LIABILITIES					
Non-Current Liability					
Finance lease liability	16	47,682	75,530	47,682	75,530
		47,682	75,530	47,682	75,530
Current Liabilities					
Trade payables	17	468,549	547,606	–	–
Other payables	18	1,577,238	330,631	414,387	218,721
Amount due to subsidiary companies	11	–	–	800,000	1,197,000
Finance lease liability	16	35,387	38,289	35,387	38,289
Bank borrowing	19	–	500,000	–	–
		2,081,174	1,416,526	1,249,774	1,454,010
Total Liabilities		2,128,856	1,492,056	1,297,456	1,529,540
Total Equity and Liabilities		17,306,469	6,416,168	26,560,989	15,144,977

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
		1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM
	Note				
Revenue	20	10,072,657	14,927,480	960,000	5,013,029
Cost of sales		(4,083,724)	(13,244,309)	–	(4,375,934)
Gross profit		5,988,933	1,683,171	960,000	637,095
Other income		651,216	387,591	369,822	110,032
Administrative expenses		(11,156,454)	(4,662,101)	(5,106,198)	(2,608,713)
Selling and distribution expenses		(161,107)	(561,124)	–	(277,851)
Other expenses		(432,057)	(10,113,914)	–	(3,434,669)
Finance costs	21	(39,597)	(70,990)	(9,679)	(1,017)
Loss before tax	22	(5,149,066)	(13,337,367)	(3,786,055)	(5,575,123)
Taxation	23	(29,088)	135,955	–	–
Net loss for the financial year/period		(5,178,154)	(13,201,412)	(3,786,055)	(5,575,123)
Other comprehensive income <i>Item that is or may be reclassified subsequently to profit or loss</i>					
Exchange translation differences for foreign operation		(2,496)	–	–	–
Other comprehensive income for the financial year/period		(2,496)	–	–	–
Total comprehensive income for the financial year/period		(5,180,650)	(13,201,412)	(3,786,055)	(5,575,123)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)

	Note	Group		Company	
		1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM
Loss for the financial year/ period attributable to owners of the parent		(5,178,154)	(13,201,412)	(3,786,055)	(5,575,123)
Total comprehensive income attributable to owners of the parent		(5,180,650)	(13,201,412)	(3,786,055)	(5,575,123)
Loss per share					
Basic loss per share (sen)	24(a)	(1.85)	(9.73)		
Diluted loss per share (sen)	24(b)	(1.85)	(9.73)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Attributable to the Owners of the Parent								Total Equity RM
		Non-Distributable				Share				
Group	Note	Share Capital RM	Share Premium RM	Warrant Reserve RM	Other Reserve RM	Share Issuance Scheme Option Reserve RM	Foreign Currency Translation Reserve RM	Accumulated Losses RM		
At 1 October 2013		12,632,400	4,167,884	-	-	-	-	148,038	16,948,322	
Net loss for the financial period, representing total comprehensive income for the financial period		-	-	-	-	-	-	(13,201,412)	(13,201,412)	
Transactions with owners:										
Issued of ordinary shares	14, 15	1,263,240	63,162	-	-	-	-	-	1,326,402	
Shares issuance expenses	15	-	(149,200)	-	-	-	-	-	(149,200)	
		1,263,240	(86,038)	-	-	-	-	-	1,177,202	
At 31 December 2014		13,895,640	4,081,846	-	-	-	-	(13,053,374)	4,924,112	

STATEMENTS OF CHANGES IN EQUITY (cont'd)

		Attributable to the Owners of the Parent							Total Equity RM
		Non-Distributable		Share			Foreign Currency Reserve RM	Accumulated Losses RM	
Group	Note	Share Capital RM	Share Premium RM	Warrant Reserve RM	Other Reserve RM	Share Issuance Scheme Option Reserve RM	Foreign Currency Reserve RM	Accumulated Losses RM	Total Equity RM
At 1 January 2015		13,895,640	4,081,846	-	-	-	-	(13,053,374)	4,924,112
Net loss for the financial year		-	-	-	-	-	-	(5,178,154)	(5,178,154)
Other comprehensive income for the financial year		-	-	-	-	-	(2,496)	-	(2,496)
Total comprehensive income for the financial year		-	-	-	-	-	(2,496)	(5,178,154)	(5,180,650)
Transactions with owners:									
Issued of ordinary shares	14,15	13,895,640	-	-	-	-	-	-	13,895,640
Shares issuance expenses	15	-	(567,219)	-	-	-	-	-	(567,219)
Issued of warrants	15	-	-	20,982,416	(20,982,416)	-	-	-	-
Shares options granted under SIS	15	-	-	-	-	1,518,300	-	-	1,518,300
Exercised of SIS	14,15	321,000	498,513	-	-	(232,083)	-	-	587,430
		14,216,640	(68,706)	20,982,416	(20,982,416)	1,286,217	-	-	15,434,151
At 31 December 2015		28,112,280	4,013,140	20,982,416	(20,982,416)	1,286,217	(2,496)	(18,231,528)	15,177,613

STATEMENTS OF CHANGES IN EQUITY (cont'd)

Company	Note	Attributable to the Owners of the Parent						Total Equity RM
		Share Capital RM	Share Premium RM	Warrant Reserve RM	Other Reserve RM	Share Issuance Scheme Option Reserve RM	Retained Earnings/ (Accumulated Losses) RM	
At 1 October 2013		12,632,400	4,167,884	-	-	-	1,213,074	18,013,358
Net loss for the financial period, representing total comprehensive income for the financial period		-	-	-	-	-	(5,575,123)	(5,575,123)
Transactions with owners:								
Issued of shares	14, 15	1,263,240	63,162	-	-	-	-	1,326,402
Shares issuance expenses	15	-	(149,200)	-	-	-	-	(149,200)
		1,263,240	(86,038)	-	-	-	-	1,177,202
At 31 December 2014		13,895,640	4,081,846	-	-	-	(4,362,049)	13,615,437

STATEMENTS OF CHANGES IN EQUITY (cont'd)

Company	Note	Attributable to the Owners of the Parent						Total Equity RM
		Share Capital RM	Share Premium RM	Warrant Reserve RM	Other Reserve RM	Share Issuance Scheme Option Reserve RM	Accumulated Losses RM	
At 1 January 2015		13,895,640	4,081,846	-	-	-	(4,362,049)	13,615,437
Net loss for the financial year, representing total comprehensive income for the financial year		-	-	-	-	-	(3,786,055)	(3,786,055)
Transactions with owners:								
Issued of shares	14, 15	13,895,640	-	-	-	-	-	13,895,640
Shares issuance expenses	15	-	(567,219)	-	-	-	-	(567,219)
Issued of warrants	15	-	-	20,982,416	(20,982,416)	-	-	-
Shares options granted under SIS	15	-	-	-	-	1,518,300	-	1,518,300
Exercised of SIS	14, 15	321,000	498,513	-	-	(232,083)	-	587,430
		14,216,640	(68,706)	20,982,416	(20,982,416)	1,286,217	-	15,434,151
At 31 December 2015		28,112,280	4,013,140	20,982,416	(20,982,416)	1,286,217	(8,148,104)	25,263,533

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash Flows From Operating Activities				
Loss before tax	(5,149,066)	(13,337,367)	(3,786,055)	(5,575,123)
Adjustments for:				
Amortisation of product development expenditure	–	574,497	–	466,730
Bad debts written off	1,289	391,987	–	21,276
Depreciation of investment properties	40,640	50,800	–	–
Depreciation of property, plant and equipment	390,670	235,009	150,721	44,498
Share-based payment expenses	1,518,300	–	1,518,300	–
Goodwill written off [Note 7(b)]	413,618	3,541,003	–	–
Impairment on trade receivables	–	91,170	–	–
Interest expenses	39,597	70,990	9,679	1,017
Inventories written off	89,668	663,267	–	–
Product development expenditure written off	–	2,524,797	–	2,260,046
Property, plant and equipment written off	–	418,725	–	33,004
Loss/(Gain) on disposal of property, plant and equipment	11,126	(32,999)	11,126	(32,999)
Unrealised gain on foreign exchange	(84,606)	(9,826)	(33,825)	–
Interest income	(228,977)	(102,588)	(213,923)	(57,580)
Operating loss before working capital changes	(2,957,741)	(4,920,535)	(2,343,977)	(2,839,131)
<i>Change in working capital:</i>				
Inventories	14,939	443,766	–	–
Trade receivables	922,564	1,191,983	–	–
Other receivables	(1,057,864)	(326,461)	(1,196,311)	(349,210)
Trade payables	(152,811)	(317,242)	–	–
Other payables	1,222,799	24,369	195,666	6,319
Amount due from/to subsidiary companies	–	–	(101,305)	(536,778)
	949,627	1,016,415	(1,101,950)	(879,669)
Cash used in operations	(2,008,114)	(3,904,120)	(3,445,927)	(3,718,800)
Interest paid	(39,597)	(70,990)	(9,679)	(1,017)
Interest received	228,977	102,588	213,923	57,580
Tax paid	(59,588)	(132,468)	–	–
Tax refund	14,292	–	–	–
Net cash used in operating activities	(1,864,030)	(4,004,990)	(3,241,683)	(3,662,237)

STATEMENTS OF CASH FLOWS (cont'd)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash Flows From Investing Activities				
Addition of product development expenditure	–	(236,297)	–	–
Net cash outflows from acquisition of business [Note 7(b)]	(1,059,593)	–	–	–
Purchase of property, plant and equipment [Note 4(a)]	(1,253,086)	(275,152)	(708,964)	(57,904)
Proceeds from disposal of property, plant and equipment	89,538	33,000	89,538	33,000
Investment in subsidiary companies	–	–	(2,000,000)	(4)
Net cash used in investing activities	(2,223,141)	(478,449)	(2,619,426)	(24,908)
Cash Flows From Financing Activities				
Proceeds from issuance of shares (Note 14)	13,895,640	1,326,402	13,895,640	1,326,402
Proceeds from exercise of SIS Options	587,430	–	587,430	–
Shares issuance expenses (Note 15)	(567,219)	(149,200)	(567,219)	(149,200)
Withdrawal of fixed deposits pledged	66,204	673,055	–	–
Repayment of finance lease liability	(138,750)	(6,181)	(138,750)	(6,181)
Repayment of term loan	(500,000)	(500,000)	–	–
Net cash from financing activities	13,343,305	1,344,076	13,777,101	1,171,021
Net increase/(decrease) in cash and cash equivalents	9,256,134	(3,139,363)	7,915,992	(2,516,124)
Effect of exchange translation differences on cash and cash equivalents	40,942	9,826	33,825	–
Cash and cash equivalents at the beginning of the financial year/period	2,178,816	5,308,353	624,274	3,140,398
Cash and cash equivalents at the end of the financial year/period	11,475,892	2,178,816	8,574,091	624,274
Cash and cash equivalents at the end of the financial year/period comprises:				
Fixed deposits with licensed banks	241,954	308,158	–	–
Cash and bank balances	11,475,892	2,178,816	8,574,091	624,274
	11,717,846	2,486,974	8,574,091	624,274
Less: Fixed deposits pledged with licensed banks	(241,954)	(308,158)	–	–
	11,475,892	2,178,816	8,574,091	624,274

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on ACE Market of the Bursa Malaysia Securities Berhad.

The principal place of business of the Company is at 1-40-1, Menara Bangkok Bank, Laman Sentral Berjaya, No.105, Jalan Ampang, 50450 Kuala Lumpur.

The registered office of the Company is located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activities of the Company consist of provision of management services and investment holding. The principal activities of its subsidiary companies are disclosed in Note 7. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to MFRS 119	Defined Benefits Plans: Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle	
Annual Improvements to MFRSs 2011 – 2013 Cycle	

Adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle		1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 10 and MFRS 128	Sales or Contribution of Assets Between an Investor and its Associates or Joint Venture	To be announced

The Group and the Company intend to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company except as mentioned below:

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) (cont'd)

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Group is in the process of assessing the impact of this Standard. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(b) Functional and Presentation Currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment and investment properties

The Group regularly review the estimated useful lives of property, plant and equipment and investment properties based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and investment properties would increase the recorded depreciation and decrease the value of property, plant and equipment and investment properties.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of unrecognised deferred tax assets are disclosed in Note 25.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8.

Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also require determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Details of assumptions made in respect of the share-based payment scheme are disclosed in Notes 15(d) and 27.

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumptions (cont'd)

Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2015, the Group has tax recoverable of RM85,230 (2014: RM69,022).

Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of business. Details of legal proceedings in which the Group is involved in as at 31 December 2015 is disclosed in Note 36 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basic of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. 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. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basic of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k)(i) on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

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

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

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

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying amount may be impaired. See accounting policy Note 3(k)(i) on impairment of non-financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM are translated to RM at the rate of exchange prevailing at the reporting date and income and expenses, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Goodwill and fair value adjustments arising on 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 reporting date.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes off only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Furniture and fittings	20%
Office equipment	20%
Computers	50%
Motor vehicles	20%
Renovation	20% - 50%
Electrical fittings	20%
Signboard	20%
Website	20%

The residual values, useful lives and depreciation method are reviewed at each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(d) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

As lessee

(i) Finance lease

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance lease. 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.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (cont'd)

As lessee (cont'd)

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

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

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

(e) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Freehold land and buildings under construction are not depreciated. Other investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates are:

Freehold buildings	2%
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k)(i) to the financial statements on impairment of non-financial assets.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchase or sale of financial assets

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

Derecognition

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or losses that had been recognised in equity is recognised in profit or loss.

(g) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities at initial recognition, into financial liabilities measured at amortised cost.

The Group's and the Company's other financial liabilities comprise trade and other payables and loans and borrowings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial liabilities (cont'd)

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings 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.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value.

Cost of raw material is determined on a first-in-first out basis. Cost of finished goods consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of assets

(i) Non-financial assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies, associates and joint ventures, are assessed at each reporting date 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of assets (cont'd)

(ii) Financial assets (cont'd)

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

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 in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

(l) Share capital

Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Employee benefits

(i) Short term employee benefits

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Share-based payment transactions

Equity-settled share-based payment transaction

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

For options granted to the employees of the subsidiary companies, the fair value of the options granted is recognised as cost of investment in the subsidiary companies over the vesting period with a corresponding adjustment to equity in the Company's financial statements.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(n) Deferred income

Deferred income represents the cash received in advance from customer in respect of services which are yet to be provided. Such amounts are recorded as liabilities in the Statement of Financial Position and are only recognised in the Statement of Profit or Loss and Other Comprehensive Income upon the rendering of services to customers.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue

(i) Sale of goods

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

(ii) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers during the period.

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iv) Interest income

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

(v) Management fee

Management fee is recognised on accrual basis when services are rendered.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Income taxes (cont'd)

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

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(s) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Electrical fittings RM	Signboard RM	Website RM	Total RM
Group 2015 Cost									
At 1 January 2015	9,500	69,578	171,364	191,219	41,980	-	-	-	483,641
Additions	239,095	123,627	350,452	120,000	479,507	-	5,500	42,905	1,361,086
Arising from acquisition of business	17,844	29,689	3,637	4,320	1,155	4,368	2,295	24,670	87,978
Disposal	-	-	-	(134,219)	-	-	-	-	(134,219)
At 31 December 2015	266,439	222,894	525,453	181,320	522,642	4,368	7,795	67,575	1,798,486
Accumulated depreciation									
At 1 January 2015	158	40,300	34,255	68,184	8,746	-	-	-	151,643
Charge for the financial year	30,839	27,432	181,495	43,162	100,756	800	1,246	4,940	390,670
Disposal	-	-	-	(33,555)	-	-	-	-	(33,555)
At 31 December 2015	30,997	67,732	215,750	77,791	109,502	800	1,246	4,940	508,758
Carrying amount									
At 31 December 2015	235,442	155,162	309,703	103,529	413,140	3,568	6,549	62,635	1,289,728

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture and fittings RM	Office equipment RM	Computers RM	Hardware appliances RM	Motor vehicles RM	Renovation RM	Total RM
Group 2014							
Cost							
At 1 October 2013	320,460	733,450	901,079	2,870,000	308,457	15,050	5,148,496
Additions	9,500	26,075	156,748	-	134,219	68,610	395,152
Disposal	-	-	-	-	(251,457)	-	(251,457)
Written off	(320,460)	(689,947)	(886,463)	(2,870,000)	-	(41,680)	(4,808,550)
At 31 December 2014	9,500	69,578	171,364	-	191,219	41,980	483,641
Accumulated depreciation							
At 1 October 2013	161,038	472,225	821,821	2,798,250	297,056	7,525	4,557,915
Charge for the financial period	24,406	53,207	69,918	53,812	22,584	11,082	235,009
Disposal	-	-	-	-	(251,456)	-	(251,456)
Written off	(185,286)	(485,132)	(857,484)	(2,852,062)	-	(9,861)	(4,389,825)
At 31 December 2014	158	40,300	34,255	-	68,184	8,746	151,643
Carrying amount							
At 31 December 2014	9,342	29,278	137,109	-	123,035	33,234	331,998

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
Company 2015						
At 1 January 2015	–	–	42,358	134,219	–	176,577
Additions	104,958	63,390	214,909	120,000	313,707	816,964
Disposal	–	–	–	(134,219)	–	(134,219)
At 31 December 2015	104,958	63,390	257,267	120,000	313,707	859,322
Accumulated depreciation						
At 1 January 2015	–	–	4,439	11,185	–	15,624
Charge for the financial year	1,475	1,008	91,281	42,370	14,587	150,721
Disposal	–	–	–	(33,555)	–	(33,555)
At 31 December 2015	1,475	1,008	95,720	20,000	14,587	132,790
Carrying amount						
At 31 December 2015	103,483	62,382	161,547	100,000	299,120	726,532

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
Company 2014						
At 1 October 2013	-	48,754	291,939	251,457	-	592,150
Addition	-	1,325	42,360	134,219	-	177,904
Disposal	-	-	-	(251,457)	-	(251,457)
Written off	-	(50,079)	(291,941)	-	-	(342,020)
At 31 December 2014	-	-	42,358	134,219	-	176,577
Accumulated depreciation						
At 1 October 2013	-	14,070	266,072	251,456	-	531,598
Charge for the financial period	-	3,751	29,562	11,185	-	44,498
Disposal	-	-	-	(251,456)	-	(251,456)
Written off	-	(17,821)	(291,195)	-	-	(309,016)
At 31 December 2014	-	-	4,439	11,185	-	15,624
Carrying amount						
At 31 December 2014	-	-	37,919	123,034	-	160,953

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) The aggregate additional cost for the property, plant and equipment of the Group and of the Company during the financial year/period acquired under finance lease financing and cash payments are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Aggregate costs	1,361,086	395,152	816,964	177,904
Less: Finance lease financing	(108,000)	(120,000)	(108,000)	(120,000)
Cash payments	1,253,086	275,152	708,964	57,904

- (b) Assets held under finance leases

At 31 December 2015, the net carrying amount of leased motor vehicle of the Group and of the Company was RM100,000 and RM100,000 (2014: RM123,034 and RM123,034) respectively.

5. INVESTMENT PROPERTIES

	2015 RM	Group 2014 RM
Freehold land and building:		
Cost		
At 1 January/1 October/31 December	2,032,000	2,032,000
Accumulated depreciation		
At 1 January/1 October	703,920	653,120
Charge for the financial year/period	40,640	50,800
At 31 December	744,560	703,920
Carrying amount		
At 31 December	1,287,440	1,328,080
Fair value of investment properties		
At 31 December	4,030,000	4,030,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

- (a) Fair value basis of investment properties

Fair value of investment properties was estimated by the Directors based on internal appraisal of market values of comparable properties. The fair values are within Level 2 of the fair value hierarchy.

- (b) Income and expenses recognised in profit or loss

The following are recognised in profit or loss in respect of investment properties:

	1.1.2015 to 31.12.2015 RM	Group 1.10.2013 to 31.12.2014 RM
Rental income	(146,400)	(139,200)
Direct operating expenses	34,022	36,119

6. PRODUCT DEVELOPMENT EXPENDITURE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cost				
At 1 January/1 October	–	8,591,267	–	6,223,063
Additions	–	236,297	–	–
Written off	–	(8,827,564)	–	(6,223,063)
At 31 December	–	–	–	–
Less: Accumulated amortisation				
At 1 January/1 October	–	5,443,848	–	3,211,865
Amortisation during the financial year/period	–	574,497	–	466,730
Written off	–	(6,018,345)	–	(3,678,595)
At 31 December	–	–	–	–
Less: Accumulated impairment				
At 1 January/1 October	–	284,422	–	284,422
Written off	–	(284,422)	–	(284,422)
At 31 December	–	–	–	–
Carrying amount				
At 31 December	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2015 RM	2014 RM
In Malaysia		
Unquoted shares, at cost	11,506,504	9,506,504

Details of subsidiary companies are as follows:

Name of company	Country of incorporation	Equity interest		Principal activities
		2015 %	2014 %	
Direct holding: Extol Corporation Sdn. Bhd.	Malaysia	100	100	Sales, research and development of IT security technology, system maintenance, professional IT security services, training and other IT products and solutions.
Extol Ventures Sdn. Bhd.	Malaysia	100	100	Investment holding, application development, trading of computer hardware, software related equipment and software development.
Extol International Sdn. Bhd.	Malaysia	100	100	To offer all kinds of services related to computer software including system support and maintenance, system integration, project coordination, management, implementation, consultation, training, seminars, exhibition, agency and representation.
AppAsia Tech Sdn. Bhd.	Malaysia	100	100	Information Technology Systems and applications development related business.
AppAsia Studio Sdn. Bhd.	Malaysia	100	100	Information Technology Systems, mobile applications and games development related business.
AppAsia Mall Sdn. Bhd.	Malaysia	100	–	E-commerce business mainly on wholesale of apparel, accessories and any other products and services.
AppAsia International Sdn. Bhd.	Malaysia	100	–	Investment holding, online trading, e-commerce, mobile application solutions.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of subsidiary companies are as follows: (cont'd)

Name of company	Country of incorporation	Equity interest		Principal activities
		2015 %	2014 %	
Indirect holding:				
<i>Subsidiary company of AppAsia International Sdn. Bhd.</i>				
AppAsia International Pty. Ltd. *	Australia	100	–	Investment holding, online trading, e-commerce, mobile application solutions.

* *Subsidiary company not audited by UHY*

(a) Acquisition of subsidiary companies during the financial year

- (i) On 12 February 2015, the Company had acquired two (2) ordinary shares of RM1.00 each in AppAsia International Sdn. Bhd. from Toh Hong Chye and Wong Ngai Peow at a total consideration of RM2.00. Consequently, AppAsia International Sdn. Bhd. became a wholly-owned subsidiary company of the Company.
- (ii) On 12 February 2015, the Company had acquired two (2) ordinary shares of RM1.00 each in AppAsia Mall Sdn. Bhd. from Toh Hong Chye and Wong Ngai Peow at a total consideration of RM2.00. Consequently, AppAsia Mall Sdn. Bhd. became a wholly-owned subsidiary company of the Company.

Goodwill arising from business combination

Goodwill was recognised as a result of the acquisition as follows:

	2015 RM	2014 RM
Fair value consideration transferred	4	4
Fair value of identifiable assets acquired and liabilities assumed	(4)	(4)
Goodwill	–	–

Net cash outflow arising from acquisition of subsidiary companies

	2015 RM	2014 RM
Purchase consideration settled in cash	(4)	(4)
Cash and cash equivalents acquired	4	4
	–	–

The acquisition of subsidiary companies did not have a material impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Acquisition of new business during the financial year

On 16 February 2015, AppAsia Mall Sdn. Bhd., a wholly-owned subsidiary company of the Company has entered into a Sale and Purchase Agreement to purchase entire business of Just Retro Enterprise at a total purchase consideration of RM1,500,000. The rationale to acquire the new business is to venture into mobile and electronic commerce. The acquisition has been completed on 16 February 2015.

Goodwill arising from acquisition of business

	2015 RM
Fair value consideration transferred - cash	1,500,000
Fair value of identifiable assets acquired and liabilities assumed	(1,086,382)
<hr/>	
Goodwill	413,618

Fair value of identifiable assets acquired and liabilities assumed

	2015 RM
Property, plant and equipment	87,978
Inventories	636,383
Deposit	21,000
Cash and cash equivalents	440,407
Trade and other payables	(99,386)
<hr/>	
Total identifiable assets and liabilities	1,086,382

The goodwill arising from acquisition of business has been written off in current financial year.

Net cash outflow arising from acquisition of business

	2015 RM
Purchase consideration settled in cash	(1,500,000)
Cash and cash equivalents acquired	440,407
<hr/>	
	(1,059,593)

Impact of the acquisition on the Statements of Profit or Loss and Other Comprehensive Income

From the date of acquisition, the new business acquired have contributed RM3,456,761 and RM1,153,747 to the Group's revenue and loss for the financial year respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and loss for the financial year from their operations would have been increased by RM3,456,761 and RM1,153,747 respectively.

(c) Incorporation of a new subsidiary company

On 27 April 2015, AppAsia International Sdn. Bhd. incorporated a new subsidiary company in Australia, namely AppAsia International Pty Ltd ("AIPL") with paid up ordinary share capital of AUD1.00 each. Consequently, AIPL became a wholly-owned subsidiary company of AppAsia International Sdn. Bhd..

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. INVENTORIES

	2015 RM	Group 2014 RM
At cost		
Raw materials	55,510	–
Finished goods	476,266	–
	531,776	–
Recognised in profit or loss:		
Inventories recognised as cost of sales	2,476,928	–
Inventories written off	89,668	663,267

9. TRADE RECEIVABLES

	2015 RM	Group 2014 RM
Trade receivables	517,353	1,491,208
Less: Accumulated impairment losses	–	(91,170)
	517,353	1,400,038

Trade receivables are non-interest bearing and are generally on 30 to 60 days (2014: 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group's credit exposures are concentrated mainly on 5 (2014: 2) debtors, which accounted for 90% (2014: 87%) of the total trade receivables at the end of the reporting period.

Movements in allowance for impairment losses of trade receivables are as follows:

	2015 RM	Group 2014 RM
At 1 January/1 October	91,170	–
Impairment losses recognised	–	91,170
Amount written off	(91,170)	–
At 31 December	–	91,170

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. TRADE RECEIVABLES (CONT'D)

Analysis of the trade receivables ageing as at the end of the reporting period is as follows:

	2015 RM	Group 2014 RM
Neither past due nor impaired	210,468	450,301
Past due not impaired:		
Less than 30 days	66,426	–
31 to 60 days	38,000	150,773
More than 60 days	202,459	798,964
	306,885	949,737
Impaired	517,353	1,400,038
	–	91,170
	517,353	1,491,208

Trade receivables that are neither past due nor impaired

Trade receivables that neither past due nor impaired are debtors with good payment records with the Group.

Trade receivables that are past due but not impaired

As at 31 December 2015, trade receivables of RM306,885 (2014: RM949,737) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

Trade receivables that are impaired

The trade receivables of the Group that are individually assessed to be impaired amounting to RM Nil (2014: RM 91,170), related to a customer that are in financial difficulties, have defaulted on payments. These balances are expected to be recovered through the debts recovery process.

The foreign exposure profiles of trade receivables are as follows:

	2015 RM	Group 2014 RM
United States Dollar	106,634	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. OTHER RECEIVABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other receivables	81,168	–	–	–
Deposits	1,679,001	217,567	1,554,811	84,735
Prepayments	116,927	582,489	79,520	353,285
	1,877,096	800,056	1,634,331	438,020

Included in deposits of the Group and the Company are RM1,409,800 paid for the acquisition of properties as disclosed in Note 34(iii) and 34(iv).

11. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

The amounts due from/(to) subsidiary companies are unsecured, non-interest bearing and repayable on demand. The amounts arose from trade and non-trade transactions.

12. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks are pledged to licensed banks for bank guarantee granted to a subsidiary company.

The interest rate and maturities of deposits of the Group at the end of the reporting period are 3.12% (2014: 3.15%) and 30 days (2014: 30 days) respectively.

13. CASH AND BANK BALANCES

The currency exposure profiles of cash and bank balances are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
United States Dollar	785,249	680,988	574,347	103,549
Australian Dollar	2,146	–	2,146	–
Singapore Dollar	32,994	–	–	–
Chinese Renminbi	2,062	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2015 Units	2014 Units	2015 RM	2014 RM
Ordinary shares of RM0.10 each				
Authorised				
At 1 January/1 October/ 31 December	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid				
At 1 January/1 October	138,956,400	126,324,000	13,895,640	12,632,400
Right issue with free warrants	138,956,400	–	13,895,640	–
Private placement	–	12,632,400	–	1,263,240
Exercised of SIS Options	3,210,000	–	321,000	–
At 31 December	281,122,800	138,956,400	28,112,280	13,895,640

During the financial year, the Company has completed its corporate exercises as follows:

- (i) increased its issued and paid-up share capital from RM13,895,640 to RM27,791,280 through the issuance of 138,956,400 new ordinary shares of RM0.10 each for cash arising from the rights issue with free detachable warrants; and
- (ii) increased its issued and paid-up share capital from RM27,791,280 to RM28,112,280 through the issuance of 3,210,000 new ordinary shares of RM0.10 each for cash arising from the exercise of SIS Options at a weighted average exercise price of RM0.183 per ordinary share.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. RESERVES

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Share premium	(a)	4,013,140	4,081,846	4,013,140	4,081,846
Warrant reserve	(b)	20,982,416	–	20,982,416	–
Other reserve	(c)	(20,982,416)	–	(20,982,416)	–
Share Issuance Scheme					
Option reserve	(d)	1,286,217	–	1,286,217	–
Foreign currency					
translation reserve	(e)	(2,496)	–	–	–
Accumulated losses		(18,231,528)	(13,053,374)	(8,148,104)	(4,362,049)
		(12,934,667)	(8,971,528)	(2,848,747)	(280,203)

(a) Share premium

	Group and Company	
	2015 RM	2014 RM
At 1 January/1 October	4,081,846	4,167,884
Add: Premium arises from private placement	–	63,162
Add: Premium arises from employee share option exercise	498,513	–
Less: Share issuance expenses	(567,219)	(149,200)
At 31 December	4,013,140	4,081,846

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

The share premium is not distributable by way of cash dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965.

15. RESERVES (CONT'D)

(b) Warrant reserve

Warrants reserve represents reserve allocated to free detachable warrants issued with rights issue.

During the financial year, the Company issued renounceable rights issue of up to 138,956,400 new ordinary shares of RM0.10 each in the Company ("AppAsia Shares" or "Shares") ("Rights Shares") together with up to 138,956,400 free detachable warrants ("Warrants") on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) existing AppAsia Share held.

The Company executed a Deed Poll constituting the Warrants and the exercise price of the Warrants have been fixed at RM0.10 each. The Warrants may be exercised at any time within 10 years commencing on and including the date of issuance and expiring on 23 December 2024. Any Warrants which have not been exercised at date of maturity will lapse and cease to be valid for any purpose.

The new ordinary shares allotted and issued upon exercise of the Warrants shall rank pari passu in all respects with the then existing ordinary shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares arising from exercise of the Warrants.

As at 31 December 2015, the total number of Warrants that remain unexercised were 138,956,400 (2014: Nil).

(c) Other reserve

This represents fair value allocated to the detachable warrants issued in conjunction with rights issue refer to Note 15(b).

(d) Share Issuance Scheme Option reserve

Share Issuance Scheme option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options. Share Issuance Scheme option is disclosed in Note 27.

(e) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. FINANCE LEASE LIABILITY

	Group and Company	
	2015	2014
	RM	RM
Minimum lease payments		
Within one year	39,780	43,188
Later than one year and not later than two years	39,780	43,188
Later than two years and not later than five years	9,945	35,966
	89,505	122,342
Less: Future finance charges	(6,436)	(8,523)
Present value of minimum lease payments	83,069	113,819
Present value of minimum lease payments		
Within one year	35,387	38,289
Later than one year and not later than two years	37,839	40,352
Later than two years and not later than five years	9,843	35,178
	83,069	113,819
Analysed as:		
Repayable within twelve months	35,387	38,289
Repayable after twelve months	47,682	75,530
	83,069	113,819

The finance lease liability interest is charged at a rate of 3.50% (2014: 2.65%) per annum.

17. TRADE PAYABLES

Credit terms of trade payables of the Group and Company ranged from 30 to 60 days (2014: 30 to 60 days) depending on the terms of the contracts.

18. OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Other payables	204,508	259,704	112,373	201,721
Accruals	665,304	50,127	302,014	17,000
Deposits received	34,500	20,800	-	-
Deferred revenue	672,926	-	-	-
	1,577,238	330,631	414,387	218,721

Deferred revenue represents the amount received in advance from customers for which services have yet to be performed.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. BANK BORROWING

	Group and Company	
	2015	2014
	RM	RM
Current Liability		
<i>Secured</i>		
Term loan - Islamic financing	–	500,000

In financial year 2013, the Group secured a project financing facility in accordance with the financing procedure under the Syariah concept of Murabahah from Malaysia Debt Ventures Berhad.

The facility is repayable by two instalments in which the first instalment of RM500,000 will be due twelve months following the first disbursement. The balance of RM500,000 will be due twenty four months following the first disbursement. Based on the agreement, the total asset sell price payable by the subsidiary company is RM1,120,000.

The securities of the facility were as follows:

- (i) debentures creating a first fixed and floating charge over a subsidiary company's assets, present and future, wheresoever situated; and
- (ii) corporate guarantee for the whole amount under the facility from the Company.

The above term loan was fully settled in current financial year.

20. REVENUE

	Group		Company	
	1.1.2015	1.10.2013	1.1.2015	1.10.2013
	to	to	to	to
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM	RM	RM	RM
Rendering of services	6,614,279	14,927,480	–	5,013,029
Sales of goods	3,458,378	–	–	–
Management fees	–	–	960,000	–
	10,072,657	14,927,480	960,000	5,013,029

21. FINANCE COSTS

	Group		Company	
	1.1.2015	1.10.2013	1.1.2015	1.10.2013
	to	to	to	to
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM	RM	RM	RM
Interest expenses on:				
Finance lease	9,473	1,017	9,473	1,017
Term loan	29,918	69,973	–	–
Others	206	–	206	–
	39,597	70,990	9,679	1,017

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. LOSS BEFORE TAX

	Group		Company	
	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM
Amortisation of product development expenditures	–	574,497	–	466,730
Auditors' remuneration:				
- statutory	42,000	37,000	17,000	17,000
- others	3,000	3,000	3,000	3,000
Bad debts written off	1,289	391,987	–	21,276
Non-Executive Directors remuneration				
- Fees	221,194	175,935	221,194	175,935
Depreciation of investment properties	40,640	50,800	–	–
Depreciation of property, plant and equipment	390,670	235,009	150,721	44,498
Goodwill written off	413,618	3,541,003	–	–
Impairment on trade receivables	–	91,170	–	–
Inventories written off	89,668	663,267	–	–
Product development expenditure written off	–	2,524,797	–	2,260,046
Property, plant and equipment written off	–	418,725	–	33,004
Rental of equipment	1,001,125	542,956	–	542,956
Rental of premises	387,800	711,188	65,629	95,862
Rental of car park	5,400	–	–	–
Bad debts recovered	(20,216)	–	(3,216)	–
Loss/(Gain) on disposal of property, plant and equipment	11,126	(32,999)	11,126	(32,999)
Loss/(Gain) in foreign exchange				
- realised	18,018	(1,086)	–	(18,673)
- unrealised	(84,606)	(9,826)	(33,825)	–
Interest income	(228,977)	(102,588)	(213,923)	(57,580)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. TAXATION

	Group		Company	
	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM
Tax expenses recognised in profit or loss				
Current tax provision	29,000	–	–	–
Under/(Over) provision in prior years	88	(22,406)	–	–
	29,088	(22,406)	–	–
Deferred tax:				
Relating to reversal of temporary differences	–	(93,815)	–	–
Over provision in prior year	–	(19,734)	–	–
	–	(113,549)	–	–
	29,088	(135,955)	–	–

Malaysian income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated assessable profits for the financial year/ period. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. TAXATION (CONT'D)

The Group and the Company have the following estimated unutilised capital allowances and unutilised tax losses available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

	Group		Company	
	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM
Unutilised capital allowances	743,900	438,000	348,400	81,100
Unutilised tax losses	10,213,000	7,590,900	6,352,100	4,629,200
	10,956,900	8,028,900	6,700,500	4,710,300

24. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share are calculated based on the consolidated loss for the financial year/period attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year/period as follows:

	Group	
	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM
Loss attributable to owners of the parent	(5,178,154)	(13,201,412)
Weighted average number of ordinary shares in issue		
Issued ordinary shares at 1 January/1 October	138,956,400	126,324,000
Effect of ordinary shares issued during the financial year/period	140,314,382	9,343,000
Weighted average number of ordinary shares at 31 December	279,270,782	135,667,000
Basic loss per share (in sen)	(1.85)	(9.73)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. LOSS PER SHARE (CONT'D)

(b) Diluted loss per share

Diluted loss per share are calculated based on the adjusted consolidated loss for the financial year/period attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year/period have been adjusted for the dilutive effects of all potential ordinary shares as follows:

	1.1.2015 to 31.12.2015 RM	Group 1.10.2013 to 31.12.2014 RM
Loss attributable to ordinary shareholders	(5,178,154)	(13,201,412)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	279,270,782	135,667,000
Effect of share options on issue	-	-
Effect of conversion of warrants	-	-
Weighted average number of ordinary shares at 31 December (diluted)	279,270,782	135,667,000
Diluted loss per share (in sen)	(1.85)	(9.73)

25. DEFERRED TAX

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January/1 October	-	113,549	-	-
Recognised in profit or loss	-	(113,549)	-	-
At 31 December	-	-	-	-

The net deferred tax assets and liability shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deferred tax liability	98,080	29,410	49,300	7,400
Deferred tax assets	(98,080)	(29,410)	(49,300)	(7,400)
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. DEFERRED TAX (CONT'D)

The components of deferred tax liability and assets are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deferred tax liability				
Accelerated capital allowances	98,080	29,410	49,300	7,400
Deferred tax assets				
Unutilised capital allowances	91,410	29,410	49,300	7,400
Unutilised tax losses	6,670	–	–	–
	98,080	29,410	49,300	7,400

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Unutilised capital allowances	378,300	320,500	151,200	51,500
Unutilised tax losses	10,186,300	7,590,900	6,352,100	4,629,200
	10,564,600	7,911,400	6,503,300	4,680,700

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

26. STAFF COSTS

	Group		Company	
	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM
Fee	23,657	5,250	–	5,250
Salaries and allowances	5,040,029	3,235,210	2,078,987	1,659,192
Defined contribution plans	555,588	357,390	243,713	176,373
Social security costs	40,543	26,166	12,047	11,110
Share-based payment expenses	1,518,300	–	1,518,300	–
Other benefits	174,308	37,764	117,176	21,025
	7,352,425	3,661,780	3,970,223	1,872,950

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year/period as below:

	Group		Company	
	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM
Executive Directors				
Fee	23,657	5,250	–	5,250
Salaries and allowances	720,000	602,258	720,000	522,258
Defined contribution plans	86,400	72,272	86,400	62,672
Social security costs	1,240	1,343	1,240	930
	831,297	681,123	807,640	591,110

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. SHARE ISSUANCE SCHEME ("SIS")

At an extraordinary general meeting held on 15 November 2014, the Company's shareholders approved the establishment of SIS for eligible Directors and employees of the Group.

The salient features of the SIS Options are as follows:

- (a) any employee of the Group shall be eligible if as at the date of offer, the employee:
 - (i) has attained at least eighteen (18) years of age;
 - (ii) is an employee in a company within the Group, which is not dormant belonging to such categories of employment as determined by the Option Committee; and
 - (iii) who falls under such categories and criteria that the Option Committee may decide at its absolute discretion from time to time.
- (b) any Director of the Group shall be eligible if as at the date of offer, the Director:
 - (i) is at least eighteen (18) years of age; and
 - (ii) has been appointed as a Director of a company within the Group, which is not dormant.
- (c) The maximum number of new shares to be issued pursuant to the exercise of the SIS Options which may be granted under the SIS Shares shall not exceed thirty percent (30%) of the total issued and paid-up share capital (excluding treasury shares, if any) of the Company at any point of time throughout the duration of the SIS;
- (d) The options granted may be exercised any time upon the satisfaction of vesting conditions of each offer.
- (e) The SIS shall be in force for a period of five (5) years and the last day to exercise SIS Options is on 12 March 2020.
- (f) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of and not less than 100 shares.

Movement in the number of share options and the weighted average exercise prices are as follows:

Date of offer	Exercise price	Number of options over ordinary shares of RM0.10 each			
		At 1.1.2015	Granted	Exercised	At 31.12.2015
24 March 2015	0.183	–	70,000,000	(3,210,000)	66,790,000

Number of share options exercisable as at 31 December 2015 is 17,790,000 (2014: Nil). The weighted average share price at the date of exercise for the year was RM0.24 (2014: RM Nil).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. SHARE ISSUANCE SCHEME ("SIS") (CONT'D)

Details of SIS Options outstanding at end of the financial year/period are as follows:

SIS Options	Weighted average exercise price		Exercise period
	2015 RM	2014 RM	
24 March 2015	0.183	–	24.03.2015 - 12.03.2020

The fair value of services received in return for share options granted during the financial year is based on the fair value of share options granted, estimated by the management using Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted. The weighted average fair value of share options measured at grant date and the assumptions are as follows:

	2015 RM	2014 RM
Fair value at grant date: 24 March 2015	0.1553	–
Weighted average share price	0.212	–
Weighted average exercise price	0.183	–
Expected volatility (%)	89.84	–
Expected life (years)	5 years	–
Risk free rate (%)	3.625	–
Expected dividend yield (%)	Nil	–

The expected life of the share options is based on historical data, has been adjusted according to management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting the market conditions attached to the option), and behavioural considerations. The expected volatility is based on the historical share price volatility, adjusted for unusual or extraordinary volatility arising from certain economic or business occurrences which is not reflective of its long term average level. While the expected volatility is assumed to be indicative of future trends, it may not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

28. OPERATING LEASE COMMITMENT - AS LESSEE

The future minimum lease payments payable under non-cancellable operating leases are:

	Group	
	2015 RM	2014 RM
Within one year	–	723,941
Later than one year but not later than two years	–	904,926
	–	1,628,867

The Group and the Lessor had concluded to end the lease agreement by 1 December 2015 with a total settlement sum of RM1,000,000, which had been paid to the Lessor in current financial year.

29. RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group or to the Company if the Group and the Company have the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM
Group		
Transaction with a Director		
Rental of premises paid/payable	22,615	90,720
Transactions with companies in which certain Directors has substantial financial interest		
Provision of services	–	45,000
Rental income received/recoverable	44,000	–
Rental of premises paid/payable	195,214	–
Company		
Transactions with subsidiary companies		
Management fee	960,000	–
Sales	–	5,013,029
Purchases	–	4,375,934
Transactions with a company in which a Director of the Company has substantial financial interest		
Rental of premises paid/payable	42,544	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management personnel are as follows:

	Group		Company	
	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM	1.1.2015 to 31.12.2015 RM	1.10.2013 to 31.12.2014 RM
Salaries, fees and other emoluments	1,676,791	608,851	1,495,673	528,438
Share-based payment expenses	155,445	–	155,445	–
Defined contributions plan	167,136	72,272	152,640	62,672
	1,999,372	681,123	1,803,758	591,110

30. SEGMENT INFORMATION

For management purposes, the Group is organised into business unit based on their products and services provided, as follows:

ICT Security Business	Provides the solutions, products and services in the information technology security sector. It includes managed security services, security-enhanced enterprise solutions, managed infrastructure services, IT hardware and software trading, professional consultancy, system development, security penetration testing, forensic research and specialised training services.
E-Commerce Business	Research, development and operation of the e-commerce websites and mobile applications.
Management Services	Investment holding and provision of management services

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial period.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. SEGMENT INFORMATION (CONT'D)

Information about segment assets and liabilities are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

	ICT Securities Business RM	E-Commerce Business RM	Management Services RM	Eliminations RM	Per consolidated financial statements RM
2015					
Revenue					
External customers	5,779,920	4,292,737	–	–	10,072,657
Inter segment	23,443	–	960,000	(983,443)	–
Total revenue	5,803,363	4,292,737	960,000	(983,443)	10,072,657
Segment results					
Interest income	10,249	4,805	213,923	–	228,977
Finance costs	(29,918)	–	(9,679)	–	(39,597)
Depreciation	(113,987)	(166,602)	(150,721)	–	(431,310)
Other non-cash item	27,531	(492,451)	33,825	–	(431,095)
Segments profit/loss before tax	1,033,008	(2,396,019)	(3,786,055)	–	(5,149,066)
Assets					
Addition to property, plant and equipment	1,198	542,924	816,964	–	1,361,086

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

30. SEGMENT INFORMATION (CONT'D)

	ICT Securities Business RM	E-Commerce Business RM	Management Services RM	Eliminations RM	Per consolidated financial statements RM
2014					
Revenue					
External customers	14,927,480	-	-	-	14,927,480
Inter segment	9,388,963	-	-	(9,388,963)	-
Total revenue	24,316,443	-	-	(9,388,963)	14,927,480
Segment results					
Interest income	102,588	-	-	-	102,588
Finance costs	(70,900)	-	-	-	(70,900)
Depreciation	(860,306)	-	-	-	(860,306)
Other non-cash item	(7,588,124)	-	-	-	(7,588,124)
Segments loss before tax	(13,337,367)	-	-	-	(13,337,367)
Assets					
Addition to property, plant and equipment	395,152	-	-	-	395,152

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. SEGMENT INFORMATION (CONT'D)

(a) Eliminations

Inter-segment revenues are eliminated on consolidation.

(b) Other non-cash income/(expense) consist of the following items as presented in the respective notes to financial statements:

	1.1.2015 to 31.12.2015 RM	Group 1.10.2013 to 31.12.2014 RM
Bad debts written off	(1,289)	(391,987)
(Loss)/Gain on disposal of property, plant and equipment	(11,126)	32,999
Goodwill written off	(413,618)	(3,541,003)
Impairment on trade receivables	-	(91,170)
Inventories written off	(89,668)	(663,267)
Product development expenditure written off	-	(2,524,797)
Property, plant and equipment written off	-	(418,725)
Unrealised gain on foreign exchange	84,606	9,826
	(431,095)	(7,588,124)

(c) Geographic information

Revenue information based on the geographical location of customers is as follow:

	1.1.2015 to 31.12.2015 RM	Group 1.10.2013 to 31.12.2014 RM
Malaysia	7,788,138	14,927,480
Cambodia	552,702	-
USA	544,899	-
People Republic of China	387,306	-
Others	799,612	-
	10,072,657	14,927,480

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Group			
2015			
Financial assets			
Trade receivables	517,353	–	517,353
Other receivables	1,760,169	–	1,760,169
Fixed deposits with licensed banks	241,954	–	241,954
Cash and bank balances	11,475,892	–	11,475,892
	13,995,368	–	13,995,368
Financial liabilities			
Trade payables	–	468,549	468,549
Other payables	–	904,312	904,312
Finance lease liability	–	83,069	83,069
	–	1,455,930	1,455,930
2014			
Financial assets			
Trade receivables	1,400,038	–	1,400,038
Other receivables	217,567	–	217,567
Fixed deposits with licensed banks	308,158	–	308,158
Cash and bank balances	2,178,816	–	2,178,816
	4,104,579	–	4,104,579
Financial liabilities			
Trade payables	–	547,606	547,606
Other payables	–	330,631	330,631
Finance lease liability	–	113,819	113,819
Bank borrowing	–	500,000	500,000
	–	1,492,056	1,492,056

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (cont'd)

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Company			
2015			
Financial assets			
Other receivables	1,554,811	–	1,554,811
Amount due from subsidiary companies	4,119,531	–	4,119,531
Cash and bank balances	8,574,091	–	8,574,091
	14,248,433	–	14,248,433
Financial liabilities			
Other payables	–	414,387	414,387
Amount due to subsidiary companies	–	800,000	800,000
Finance lease liability	–	83,069	83,069
	–	1,297,456	1,297,456
2014			
Financial assets			
Other receivables	84,735	–	84,735
Amount due from subsidiary companies	4,415,226	–	4,415,226
Cash and bank balances	624,274	–	624,274
	5,124,235	–	5,124,235
Financial liabilities			
Other payables	–	218,721	218,721
Amount due to subsidiary companies	–	1,197,000	1,197,000
Finance lease liability	–	113,819	113,819
	–	1,529,540	1,529,540

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from advances to subsidiary companies and financial guarantees given to a non-financial institution for credit facilities granted to a subsidiary company.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured advances to subsidiary companies. It also provides unsecured financial guarantees to a non-financial institution for credit facilities granted to a subsidiary company.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to a non-financial institution for credit facilities granted to a subsidiary company. The Company's maximum exposure in this respect is RM Nil (2014: RM500,000), representing the outstanding credit facilities to the subsidiary companies as at the end of the reporting period.

The Group's has no significant concentration to credit risk except as disclosed in Note 9. The Company has no significant concentration of credits risks except for advances to its subsidiary companies where risks of default have been assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group					
2015					
Non-derivative financial liabilities					
Trade payables	468,549	—	—	468,549	468,549
Other payables	904,312	—	—	904,312	1,577,238
Finance lease liability	39,780	39,780	9,945	89,505	83,069
	1,412,641	39,780	9,945	1,462,366	2,128,856
2014					
Non-derivative financial liabilities					
Trade payables	547,606	—	—	547,606	547,606
Other payables	330,631	—	—	330,631	330,631
Finance lease liability	43,188	43,188	35,966	122,342	113,819
Bank borrowing	529,918	—	—	529,918	500,000
	1,451,343	43,188	35,966	1,530,497	1,492,056

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Company					
2015					
Non-derivative financial liabilities					
Other payables	414,387	–	–	414,387	414,387
Amount due to subsidiary companies	800,000	–	–	800,000	800,000
Finance lease liability	39,780	39,780	9,945	89,505	83,069
	1,254,167	39,780	9,945	1,303,892	1,297,456
2014					
Non-derivative financial liabilities					
Other payables	218,721	–	–	218,721	218,721
Amount due to subsidiary companies	1,197,000	–	–	1,197,000	1,197,000
Finance lease liability	43,188	43,188	35,966	122,342	113,819
Financial guarantee	500,000	–	–	500,000	–
	1,458,909	43,188	35,966	1,538,063	1,529,540

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks

(1) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD), Australian Dollar (AUD), Singapore Dollar (SGD) and Chinese Renminbi (RMB).

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	USD RM	AUD RM	SGD RM	RMB RM	Total RM
Group					
2015					
Cash and bank balances	785,249	2,146	32,994	2,062	822,451
Trade receivables	106,634	–	–	–	106,634
	891,883	2,146	32,994	2,062	929,085
2014					
Cash and bank balances	680,988	–	–	–	680,988
Company					
2015					
Cash and bank balances	574,347	2,146	–	–	576,493
2014					
Cash and bank balances	103,549	–	–	–	103,549

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks (cont'd)

(1) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the USD, AUD, SGD and RMB exchange rates against RM, with all other variables held constant.

		2015		2014
	Change in currency rate RM	Effect on loss before tax RM	Change in currency rate RM	Effect on loss before tax RM
Group				
USD	Strengthened 1%	8,919	Strengthened 1%	6,810
	Weakened 1%	(8,919)	Weakened 1%	(6,810)
AUD	Strengthened 1%	21	Strengthened 1%	-
	Weakened 1%	(21)	Weakened 1%	-
SGD	Strengthened 1%	330	Strengthened 1%	-
	Weakened 1%	(330)	Weakened 1%	-
RMB	Strengthened 1%	21	Strengthened 1%	-
	Weakened 1%	(21)	Weakened 1%	-
Company				
USD	Strengthened 1%	5,743	Strengthened 1%	1,035
	Weakened 1%	(5,743)	Weakened 1%	(1,035)
AUD	Strengthened 1%	21	Strengthened 1%	-
	Weakened 1%	(21)	Weakened 1%	-

(2) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks (cont'd)

(2) Interest rate risk (cont'd)

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Fixed rate instruments				
Financial assets	241,954	308,158	–	–
Financial liabilities	(83,069)	(613,819)	(83,069)	(113,819)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(c) Fair values of financial instruments

(i) Financial instruments at fair value

As the financial assets and liabilities of the Group and the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

(ii) Financial instruments other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to relatively short term nature of these financial instruments and insignificant impact of discounting.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. COMMITMENT

	Group and Company	
	2015	2014
	RM	RM
Capital expenditure		
Authorised and contracted for		
- Properties	1,240,200	-

33. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Company monitors capital using a gearing ratio. The Group's and the Company's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at the end of the reporting period are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Total loans and borrowings	83,069	613,819	83,069	113,819
Less: Cash and cash equivalents	(11,475,892)	(2,178,816)	(8,574,091)	(624,274)
Excess funds	(11,392,823)	(1,564,997)	(8,491,022)	(510,455)
Shareholders' equity	15,177,613	4,924,112	25,263,533	13,615,437
Gearing ratio	*	*	*	*

* Gearing ratio not applicable to the Group and the Company as the cash and cash equivalents as at 31 December 2015 and 31 December 2014 is sufficient to cover the entire borrowing obligation.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

34. SIGNIFICANT EVENTS

AppAsia Berhad (“AppAsia” or “the Company”)

- (i) On 2 January 2015, on behalf of the Board, TA Securities announced that the Rights Issue of Shares with Warrants has been completed with the listing of 138,956,400 Rights Shares together with 138,956,400 Warrants on the ACE Market of Bursa Securities.
- (ii) On 13 March 2015, on behalf of the Board, TA Securities announced that the effective date for the implementation of the Proposed SIS is 13 March 2015, which is the date of full compliance of the SIS in accordance with Rule 6.44(1) of the Listing Requirements.

The details of the Options offered are set out as follows:

- | | |
|---|-----------------|
| Date of Offer of the Options | : 24 March 2105 |
| Exercise price of Options offered | : RM0.183 |
| Number of Options offered | : 70,000,000 |
| Closing Market Price of the Company's shares on the Date of Offer | : RM0.23 |
- Vesting period of the Options offered
- Year 1 from the date of offer of the Options: 30% of SIS granted
 - Year 2 from the date of offer of the Options: 30% of SIS granted
 - Year 3-5 from the date of offer of the Options: 40% of SIS granted
 - Any unexercised Options for the previous year may be carried forward and exercisable in the following year. Last day to exercise the SIS Options is on 12 March 2020.
- (iii) On 15 September 2015, the Company entered into a Sale and Purchase Agreement (“SPA”) with Merit Gateway Sdn Bhd to purchase a unit of 4-storey intermediate shop/office premise for a total consideration of RM1,200,000.
- The SPA has been completed as at the date of this report.
- (iv) On 15 December 2015, the Company entered into a SPA with Acreage Properties Sdn Bhd to purchase a unit of 4-storey intermediate shop/office premise for a total consideration of RM1,300,000.

The SPA has been completed as at the date of this report.

35. SUBSEQUENT EVENT

On 29 March 2016, the Company announced that the Company proposed to seek shareholders' approval for the purchase of its own ordinary shares of up to ten percent (10%) in the entire issued and paid-up share capital of the Company at the forthcoming Twelfth Annual General Meeting of the Company.

36. MATERIAL LITIGATION

The Group and the Company have not engaged in any litigation which will have a material effect on the business or financial position of the Group and of the Company except for the following:

The Company announced that on 20 August 2014, a sealed copy of Writ of Summons and Statement of Claim dated 19 August 2014 was served to Extol Ventures Sdn Bhd ("EVSB" or "the Defendant"), a wholly owned subsidiary, by Messrs Wong & Partners, the Advocates & Solicitors for Xconnect Global Networks Limited ("Xconnect" or "the Plaintiff").

The Writ of Summons and Statement of Claim dated 19 August 2014 was filed to the Sessions Court at Kuala Lumpur in Wilayah Persekutuan with Kuala Lumpur Sessions Court Suit No: B52NCvC-246-08/2014 and have been fixed for hearing on 22 September 2014 at Jalan Duta Court Complex, Kuala Lumpur for case management.

Details of claims by The Plaintiff from the Defendant are as follow:

- (a) An order for the delivery up of the PoP Equipment as stated in the Statement of Claim and damage to be assessed;
- (b) Alternatively, judgment in the sum of US\$171,071.58 to be paid by Defendant;
- (c) Damages for detention of the PoP Equipment as stated in the Statement of Claim;
- (d) Alternatively, damages for conversion of the PoP Equipment as stated in the Statement of Claim;
- (e) Interest on all sums found due and payable by the Defendant under Section 11 of the Civil Law Act, 1965 at the rate of 5% per annum from 19.08.2014 until full payment;
- (f) Costs; and
- (g) Such further and other relief as the Court deems fit and proper.

On 15 September 2014, EVSB had filed a Defence and Counterclaim against Xconnect & Mohd Badaruddin Bin Masodi ("Badaruddin"). EVSB denies certain contents in the earlier Statement of Claim. Badaruddin had entered into the Malaysia Interconnection Exchange ("MIE Agreement") for EVSB, on 3 October 2013 without any approval and/or ratification from the Board and/or shareholders of EVSB.

By the MIE Agreement, Xconnect had appointed EVSB as the exclusive Channel Partner for the delivery of Xconnect Global Networks Limited's Products and Services to the customers in the territories of Malaysia and Indonesia.

Notwithstanding the terms of the MIE Agreement, Xconnect entered into an agreement with a third party, TG AGAS Technology Sdn Bhd ("TG AGAS"), on 4 October 2013 which is known as the Malaysian Federation Agreement ("MFA Agreement") where all the provisions therein are identical to those found in the MIE Agreement.

Without the knowledge and/or the approval of the Board members and/or shareholders of EVSB, Badaruddin, as the Executive Deputy Chairman of TG AGAS, had on 4 October 2013 entered into the MFA Agreement with Xconnect.

EVSB avers that Xconnect had breached the MIE Agreement as the right of EVSB as the exclusive Channel Partner to supply Xconnect's Products and Services in Malaysia was denied by Xconnect entering into the MFA Agreement with TG AGAS on 4 October 2013. EVSB avers that Xconnect has failed and/or refused to fulfil their obligations in the MIE Agreement. By reason of the matters aforesaid, EVSB denies being indebted to Xconnect as alleged in the Statement of Claim.

36. MATERIAL LITIGATION (CONT'D)

As such, EVSB claims that Xconnect through John Wilkinson and Badaruddin who is a director and shareholder of both EVSB and TG AGAS have acted to benefit TG AGAS and to cause EVSB to suffer financial loss.

EVSB avers that Badaruddin had breached his fiduciary duty under the Companies Act, 1965 where he shall at all times exercise his power for a proper purpose and in good faith in the best interest of EVSB.

Wherefore, EVSB counter claims against Xconnect and Badaruddin as follows:

Against Xconnect:

- (a) The sum of US\$87,075.11;
- (b) General Damages;
- (c) Interest;
- (d) Costs;
- (e) Further or other relief as may be just.

Against Badaruddin:

- (a) If Xconnect succeeds in its claim against EVSB, an Order that Badaruddin do indemnify EVSB against all losses suffered and that he pay directly to Xconnect all of the judgement sum, including interest and costs, which EVSB is ordered to pay to Xconnect.
- (b) The sum of US\$87,075.11.
- (c) General Damages.
- (d) Exemplary Damages.
- (e) Interest.
- (f) Costs.
- (g) Further or other relief as may be just.

The application for security costs has been fixed for hearing on 17 November 2014 pending filing of the Affidavit in Reply by the Plaintiff.

The Sessions Court had on 26 November 2014, granted the Company the Order directing Xconnect Global Networks Limited to deposit the sum of RM100,000.00 (Ringgit Malaysia One Hundred Thousand) only as security for costs with the Court within Thirty (30) days from 26 November 2014, failing which their claim can be struck out on the Company's application.

Subsequently on 4 February 2015, the Board of Directors of AppAsia announced that the Company had on 29 January 2015 received the Kuala Lumpur Sessions Court sealed Order and Judgement both dated 14 January 2015 via a letter from Messrs Wong & Partners, the Plaintiff's lawyer dated 28 January 2014, ordered EVSB to handover the PoP Equipments to Xconnect with damages to be assessed and cost of RM3,000 to Xconnect. The Company has no intention to appeal after having taken legal advice from the Company's solicitor. However, the Company shall be proceeding with its counter claim against Xconnect and Badaruddin.

The Company had on 10 April 2015 received a letter from the Company's Solicitors informed that a consent order of settlement has been recorded on the 7 April 2015 where upon Xconnect had withdrawn all its claim against EVSB while the counter claim by EVSB against Xconnect had also been withdrawn, both with no order as to cost.

36. MATERIAL LITIGATION (CONT'D)

The Company had on 7 May 2015 received a letter from the Company's Solicitors informing that the Sessions Court of Kuala Lumpur has ruled against the application of Badaruddin to strike out EVSB's counter claim and awarded cost to RM3,000.00 to be paid by Badaruddin to the EVSB.

Badaruddin had filed an appeal to the High Court of Kuala Lumpur against the dismissal of his striking out application. On 9 October 2015, his appeal was argued before the High Court Judge and it was adjourned to 5 November 2015 for decision. On 5 November 2015, the High Court dismissed Badaruddin's appeal with costs and agreed with the Session Court that the counter claim by EVSB should go for trial.

The Sessions Court of Kuala Lumpur had allowed EVSB counterclaim against Badaruddin for the sum of USD87,075.11, being monies paid to XConnect and exemplary damages in the sum of RM25,000.00 for breach of his fiduciary duties and costs according to scale.

The Appellant's appeal has been fixed for case management on 29 April 2016, pending filing of the additional record of appeal.

37. COMPARATIVE FIGURES

The figures for the financial statements of previous period are for the financial period from 1 October 2013 to 31 December 2014. As they reflect the results for more than 12 months, these are not comparable to the current year results.

38. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2015 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 11 April 2016.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

39. SUPPLEMENTARY INFORMATION ON DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The following analysis of realised and unrealised accumulated losses of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total accumulated losses of the Company and its subsidiary companies				
- realised	(14,161,530)	(11,985,378)	(8,148,104)	(4,362,049)
Less: Consolidation adjustments	(4,069,998)	(1,067,996)	-	-
Total accumulated losses	(18,231,528)	(13,053,374)	(8,148,104)	(4,362,049)

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.