AppAsia®

ANNUAL REPORT 2016

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Working extensively with our merchant base, customers now have access to some of the lowest prices on big name brands nationwide.

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// APPASIA GAMES

We believe

GREAT PEOPLE

make

GREAT APPS

Established in 2014, AppAsia Studio has been in the forefront of the game development industry in Malaysia. With a library of over 60 mobile games on iOS and Android, the studio continues striving to deliver the best quality mobile games to satisfy the ever growing demand from users. AppAsia Studio publishes games that offer players a wide variety of genres to choose from.

SCAN THIS CODE

FOR AMAZING GAMES

From household favourites like the snake game, action packed 3D shooting games that tests your reflexes, to words and trivia games, namely Amazing Wheel that will tease your intelligence to the limit. Players just need to download the games from the respective stores and start enjoying the games instantly.

AppAsia Studio also provide internship programme which embrace innovation, creativity, unity, not uniformity and we believe that different kind of thoughts and culture will enhance innovation of ideas. All interns were given chances to collaborate and interact with other game programmers, game artists and designers who are open-minded and excited about game innovation and creation. Furthermore, AppAsia Studio adopt a culture that encourages diverse thinking and bold ideas within a flexible working environment. By end of 2016, there were around 200 students have benefited and graduated from this programme.

APPASIA STUDIO SDN BHD
E-1-4, 1st Floor, Megan Avenue 1, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.
+603 2161 3211 +603 2162 3211 talents@appasia.com http://talents.appasia.com

AppAsia STUDIO
A subsidiary of AppAsia Berhad

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Corporate Information

Board of Directors

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil
Independent Non-Executive Chairman

Toh Hong Chye
Executive Director

Wong Ngai Peow
Executive Director

Low Kim Leng
Non-Independent Non-Executive Director

Ng Kok Wah
Independent Non-Executive Director

Corporate Information (Cont'd)

AUDIT COMMITTEE

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil (Chairman)
Low Kim Leng
Ng Kok Wah

REMUNERATION COMMITTEE

Low Kim Leng (Chairman)
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil
Ng Kok Wah

NOMINATION COMMITTEE

Low Kim Leng (Chairman)
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil
Ng Kok Wah

SHARE ISSUANCE SCHEME ("SIS") OPTION COMMITTEE

Toh Hong Chye (Chairman)
Wong Ngai Peow
Yong Mai Fang
Joanne Shu

COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482)
Chong Voon Wah (MAICSA 7055003)

REGISTERED OFFICE

Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel No. : +603-2279 3080
Fax No. : +603-2279 3090

HEAD OFFICE

1-40-1, Menara Bangkok Bank
Berjaya Central Park
No. 105 Jalan Ampang
50450 Kuala Lumpur
Wilayah Persekutuan
Tel No. : +603-2181 3666
Fax No. : +603-2181 6688

AUDITORS

UHY (AF-1411)
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel No. : +603-2279 3088
Fax No. : +603-2279 3099

PRINCIPAL BANKER

CIMB Bank Berhad (13491-P)
Lot C04-C05, Concourse Level
Petronas Tower 3
Suria KLCC, Jalan Ampang
50088 Kuala Lumpur
Tel No. :+601-300-88-5300

SHARE REGISTRAR

Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor
Tel No. : +603-7720 1188
Fax No. : +603-7720 1111

STOCK EXCHANGE LISTING

Ordinary Shares
ACE Market of Bursa Malaysia Securities Berhad
Stock Name : APPASIA
Stock Code : 0119

Warrants
ACE Market of Bursa Malaysia Securities Berhad
Stock Name : APPASIA-WA
Stock Code : 0119WA

WEBSITE

www.appasia.com

CORPORATE STRUCTURE

- 100% **AppAsia Pay Sdn Bhd**
- 100% **AppAsia Cloud Sdn Bhd** *(Formerly known as Extol International Sdn Bhd)*
- 100% **Extol Corporation Sdn Bhd**
- 100% **AppAsia Mall Sdn Bhd**
- 100% **AppAsia Studio Sdn Bhd**
- 100% **AppAsia Online Sdn Bhd**
- 100% **AppAsia Tech Sdn Bhd**
- 20% **AppAsia Express Sdn Bhd**
- 100% **AppAsia International Sdn Bhd**
  - 100% **AppAsia International Pty Ltd**

CORPORATE EVENT

Reseller Service Agreement with Alibaba.com Singapore E-Commerce Private Limited

Date : 23 November 2016
Venue : Concorde Hotel

AppAsia Cloud Sdn Bhd (Formerly known as Extol International Sdn. Bhd) ("AppAsia Cloud"), a wholly-owned subsidiary of AppAsia, had on 23 November 2016 entered into a Reseller Service Agreement ("Contract") with Alibaba.com Singapore E-Commerce Private Limited ("Alibaba Cloud") for the appointment of AppAsia Cloud as Alibaba Cloud's non-exclusive reseller to drive the sale of certain cloud computing and technology products and services of Alibaba Cloud by recruiting, inviting or soliciting companies and individuals to purchase or subscribe for such cloud computing and technology products and services.

DIRECTORS' PROFILES

Datuk Wira Rahadian Mahmud bin Mohammad Khalil

Independent Non-Executive Chairman
43 years of age, Malaysian, Male
Chairman of Audit Committee
Members of Nomination Committee and Remuneration Committee

Datuk Wira Rahadian Mahmud bin Mohammad Khalil, was appointed to the Board on 24 July 2014 as Independent Non-Executive Chairman. He is involved in the reforestation business as well as the construction and manufacturing sectors and also well versed in the timber industry.

Datuk Wira Rahadian is the Chairman of Permaju Industries Berhad and also sits on the Board of Sanbumi Holdings Berhad, KYM Holdings Berhad and Magna Prima Berhad.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has not been convicted for any offences within the past five (5) years other than traffic offences, if any.

Toh Hong Chye

Executive Director
41 years of age, Malaysian, Male
Chairman of Share Issuance Scheme Option Committee

Mr Toh Hong Chye, was appointed to the Board on 24 July 2014 as Executive Director. Mr. Toh hold a qualification from the Association of Chartered Certified Accountants (ACCA) in 2000, and has a Masters of Business Administration in Finance from the International Islamic University in Malaysia in 2006. He is also a Chartered Accountant and a member of the Malaysian Institute of Accountants (MIA).

He is the founder of Messrs H.C Toh & Co, involving in company secretary, accounting and business advisory services for companies from various industries. His experience covers audit and assurance engagements, corporate reporting and compliance, taxation and wide ranging overseas exposures. He now sits on the board of directors of several private limited companies and he also sits on the Board of Sersol Berhad.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has not been convicted for any offences within the past five (5) years other than traffic offences, if any.

DIRECTORS' PROFILES (Cont'd)

Wong Ngai Peow
Executive Director
41 years of age, Malaysian, Male
Member of Share Issuance Scheme Option Committee

Mr Wong Ngai Peow, was appointed to the Board on 28 May 2014 as Executive Director. He graduated from University of Malaya with an honorable degree in Information Technology and Business Management.

He has more than 15 years of in-depth professional experience in Information Technology industry. Throughout his many years of specialised IT industry experiences, he has successfully implemented a number of projects for many multinationals, financial institutions, public listed companies and government agencies in the region. His portfolios include the successful implementation of online trading system, e-insurance systems, bonds information system, B2C2C e-commerce portal, mobile applications, payment gateway system, security solutions, business process integration, social networking system and cloud solution.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has not been convicted for any offences within the past five (5) years other than traffic offences, if any.

Low Kim Leng
Non-Independent Non-Executive Director
54 years of age, Malaysian, Male
Chairman of Nomination Committee and Remuneration Committee
Member of Audit Committee

Mr. Low Kim Leng, was appointed to the Board on 28 May 2014 as Non-Independent Non-Executive Director. He graduated from Manchester Metropolitan University (UK) with a degree of Bachelor of Arts (Hons) (Law) in 1983 and as an Utter Barrister of the Honourable Society of Gray's Inn, he was admitted to the English Bar in 1984. He was called to the Malaysian Bar and was admitted as an advocate and solicitor of the High Court of Malaya in 1985.

He practises law under the name and style of Messrs Ringo Low & Associates of which he is now a principal partner. He is a registered Trade Mark Agent. He has been appointed as a Notary Public to carry out notarial functions since 2004. He is a legal advisor to various national organisations. He is also an Independent Non-Executive Director of Sersol Berhad.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has not been convicted for any offences within the past five (5) years other than traffic offences, if any.

DIRECTORS' PROFILES (Cont'd)

Ng Kok Wah
Independent Non-Executive Director
39 years of age, Malaysian, Male
Member of Audit Committee, Nomination Committee and Remuneration Committee

Mr Ng Kok Wah, was appointed to the Board on 24 July 2014 as Independent Non-Executive Director. He is an Accountant, a fellow member of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a member of Malaysian Institute of Accountants (MIA).

He has been involved in the accounting business since 1998. He has extensive experience in various audit and non-audit assignments for both listed and non-listed companies. He is also an Independent Non-Executive Director of Aturmaju Resources Berhad and BCM Alliance Berhad.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and he has not been convicted for offences within the past five (5) years other than traffic offences, if any.

PROFILES OF KEY SENIOR MANAGEMENT

YONG MAI FANG (MICHELLE YONG)
GROUP ACCOUNTANT

Michelle Yong, a Malaysian, Female, age 40, was appointed as Group Accountant of AppAsia Berhad on 1 August 2014. She is a Chartered Accountant, a fellow member of the Association of Chartered Certified Accountants (ACCA) and a member of the Malaysian Institute of Accountants (MIA).

She has more than 15 years of experience in the field of audit, accountancy and taxation. Presently, she is the Managing Partner of Richmond Virginia Tobacco Sdn Bhd. She also sits on the Board of Directors of several private limited companies. She is currently a member of the Share Issuance Scheme Option Committee.

Michelle Yong is the spouse of Mr Toh Hong Chye, Executive Director of AppAsia Berhad.

She does not have any personal interest in any business arrangement involving the company.

She has not committed any offences within the past five (5) years other than traffic offences, if any.

She does not hold any directorships in any other public companies and listed issuers other than disclosed above.

TOH GUAT KHEM (MANDY TOH)
CHIEF EXECUTIVE DIRECTOR

Mandy Toh, an Australian, female, aged 52, was appointed as Chief Executive Director of AppAsia International Pty Ltd and oversees the business operations of the Company in Australia. She graduated with a Bachelor of Economics from Shinshu University, Japan. She has over 10 years of career experience in real estate & finance broking in Australia.

She is currently a licensed real estate agent and also member of Mortgage & Finance Association of Australia (MFAA) & Credit and Investments Ombudsman (CIO).

Mandy Toh is the sister of Mr. Toh Hong Chye, Executive Director of AppAsia Berhad.

She does not have any personal interest in any business arrangement involving the Company.

She has not committed any offences within the past five (5) years other than traffic offences, if any.

She does not hold any directorships in any other public companies and listed issuers other than disclosed above.

CHOONG GUAN NA (LAWRENCE NA)
CHIEF TECHNOLOGY OFFICER

Lawrence Na, a Malaysian, Male, age 36, was appointed as Chief Technology Officer on 21 February 2017. He is responsible for the information technology systems for the Group. He graduated with a Bachelor of Information Technology of Charles Sturt University. He was previously the recipient of the prestigious Erisson Kacip @ Cut-Edge Awards 2003.

He brings with him over 17 years of technical experience in the Information Technology industry, with experience in strategic planning, business unit development, project and product management as well as system engineering strategies. Among the previous positions he has held are IT Manager in PPCHF and Vice President of Business and Research in Vyke Communications PLC.

He does not have any family relationship with any Director and/ or major/ substantial shareholder of the Company and he does not have any personal interest in any business arrangement involving the Company.

He has not committed any offences within the past five (5) years other than traffic offences, if any.

He does not hold any directorships in any other public companies and listed issuers.

PROFILES OF KEY SENIOR MANAGEMENT (Cont'd)

SHU LING LING (JOANNE SHU)
SENIOR VICE PRESIDENT CORPORATE FINANCE

Joanne Shu, a Malaysian, Female, age 34, was appointed as Finance Manager on 1 June 2014. Subsequently, she promoted as Senior Vice President Corporate Finance on 1 January 2016. She graduated with a Bachelor of Arts (Honours) in Accounting and Finance from University of Abertay Dundee, Scotland.

She has over ten (10) years of experience in corporate finance, accounting, auditing and compliance, having worked in several public companies and organisations including Symphony House Berhad, Public Investment Bank Berhad, MobilityOne Limited and Baker Tilly Monteiro Heng. She is currently a member of the Share Insurance Scheme Committee.

She does not have any family relationship with any Director and/ or major/ substantial shareholder of the Company and she does not have any personal interest in any business arrangement involving the Company.

She has not committed any offences within the past five (5) years other than traffic offences, if any.

She does not hold any directorships in any other public companies and listed issuers.

KEE CHYI SIEW
CORPORATE & LEGAL AFFAIRS MANAGER

Kee Chyi Siew, Malaysian, age 33 was appointed as Corporate & Legal Affairs Manager on 8 August 2016. She graduated from Tunku Abdul Rahman College Kuala Lumpur with a Diploma in Business Studies (Accounting) in 2004. She then further her study in University of London and graduated with Bachelor of Laws with Honours in 2007.

She has over ten (10) years of experience in legal affairs, having worked in several law firms including Messrs GK Ganesan Saiful & Rokiah, UOA Holdings Sdn Bhd and DCHL Sdn Bhd.

She does not have any family relationship with any Director and/ or major/ substantial shareholder of the Company and she does not have any personal interest in any business arrangement involving the Company.

She has not committed any offences within the past five (5) years other than traffic offences, if any.

She does not hold any directorships in any other public companies and listed issuers.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of AppAsia Berhad ("AppAsia" or "Company"), it is with great pleasure that I present AppAsia's Annual Report and Financial Statements for the financial year ended 31 December 2016 ("FY2016").

FINANCIAL RESULTS

For the FY2016, AppAsia registered revenue of RM4.659 million and loss before taxation of RM6.851 million as compared to revenue of RM10.073 million and loss before taxation of RM 5.149 million for previous financial year.

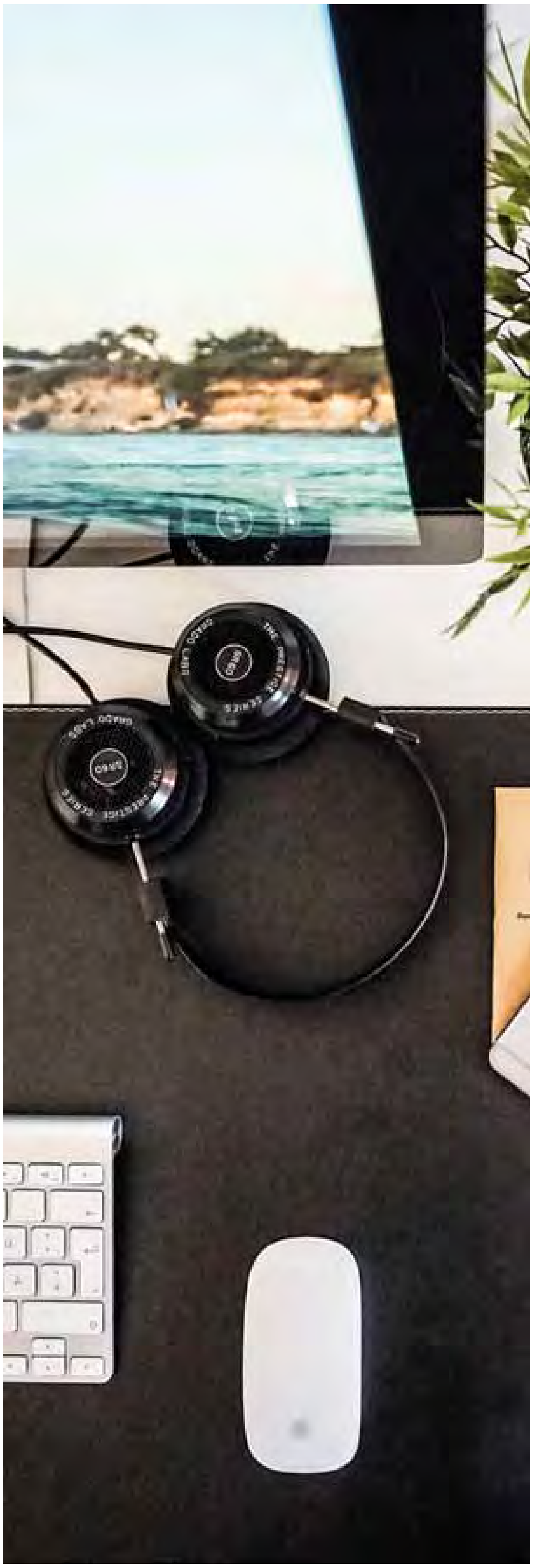
BUSINESS REVIEW

However, it was a year in which we took great strides in strengthening our presence in key online sectors especially in the Digital Media, E-Commerce and Mobile Apps sectors. The Company has appeared to be a key player in the Digital Media sector by helping our key media partner to triple fold their online traffics while double the online advertisement revenues. The Company has also developed a variety of mobile games and applications available in the Apple AppStore and Google Playstore.

In the E-Commerce, the Company has been focusing in building the regional e-Marketplace network by integrating the existing e-commerce websites and operations. In line with the Company's direction, the Company has expanded into e-commerce delivery services.

We have experienced a slowdown in the IT Security sector due to loss of major clients. To counter this, the Company has expanded the services offerring to cloud solution by partnering with Alibaba Cloud. This is, indeed, an exciting move for us to capitalize on the potential cloud solution sector.

Our current AppAsia's network of companies are focusing on building the internet and mobile technology ecosystem solutions to pave a stronger platform for future growth. We shall continue to source and work to achieve our long term objectives. With great commitment and dedication from our talented employees, we are confident to strive against the challenging economy environment. Our vision is to build a company of extraordinary reach with different business model that will shape the industry.



CHAIRMAN'S STATEMENT (Cont'd)

FUTURE PROSPECTS

We are entrepreneurs with the eyesight on the digital market. We shall continue to build the digital platform in the region that brings values to the community and our stakeholders. Our digital media business is growing. Our mobile application and games business continue to attract industry talents to help build the mobile platform with big data of users base. Our e-commerce has been enhanced to a more potential e-Marketplace platform and ecosystem solution. Our ICT Security solution is now partnering with a global player to provide the full potential cloud solution. Our global and well diversified network of companies is a strong base for creating long-term sustainable value for our investors.

2017 will be a year of continued growth and improvement across our network of companies. Our objective for 2017 is to continue making great investments and launching new ventures, to strengthen our market share and position in the countries we are present and to generate returns for our shareholders. We will work on further reducing the complexity across our network of companies and on enhancing transparency.

2017 will be another exciting year for AppAsia – great opportunities lay ahead. With our ever growing expertise, sophisticated technology and state of the art platform, we will continue to define entrepreneurship in the digital market.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

Beyond our focus of maximising shareholders value and capturing growth opportunities, AppAsia is becoming more involved in supporting socially responsible initiatives and setting sustainable standards for the industry. Our commitment to CSR is based on the thrusts of delivering high quality products; practising good corporate governance and investor relations; caring for the development and well-being of our employees; implementing environmentally sound practices and processes; and enriching the lives of the local communities through charitable programmes. By broadening our CSR scope, we will continue our growth as a socially responsible company.

CHAIRMAN'S STATEMENT (Cont'd)

AppAsia Studio Internship Programme

AppAsia Studio has been conducting a special talent engagement programme to provide internship opportunities for talented individuals who are passionate, creative and willing to participate in game development. The programme is as part of AppAsia's CSR initiatives which aims to nature the talent and human capital for the game industry.

In AppAsia Studio, interns are given the platform and opportunity to make the mobile world a better place. We embrace creativity, unity, not uniformity and we believe that different kind of thoughts and culture will enhance innovation of ideas. All interns were given chances to collaborate and interact with other game programmers, game artists and designers who are open-minded and excited about game innovation and creation. Furthermore, AppAsia Studio adopt a culture that encourages diverse thinking and bold ideas within a flexible working environment. AppAsia Studio provide an environment that cultivates creativity and individual differences and rewarding their best work accordingly. By end of 2016, there were around 200 students have benefited and graduated from this programme.

APPRECIATION

On behalf of the Board of Directors, I would like to thank and express my deepest gratitude to my fellow Board members for their invaluable counsel and guidance to the Group.

To our shareholders, many of whom have been investors for decades, I thank you sincerely for your steadfast support and confidence in the Group.

My appreciation is extended to the various regulatory authorities, the governing agencies, our business associates, customers, suppliers, business partners and other stakeholders for their continued support and cooperation throughout the year.

Finally, I thank all our management and employees for their untiring dedication and commitment towards ensuring the success of the Group.

May we continue to forge ahead together and excel for AppAsia.

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL DESCRIPTION OF APPASIA'S BUSINESS

AppAsia is the mobile applications, digital contents, e-commerce and the information technology (IT) security solution provider in the region.

AppAsia has expanded its ventures over previous years into various digital areas; our repertoire has grown to include digital advertising across all media platforms, and the building, maintenance and running of several e-commerce websites as well as the development of a leading e-marketplace platform.

Moreover, AppAsia has been appointed as the Alibaba Cloud's regional reseller to drive the sale of certain cloud computing and technology products and services by recruiting, inviting or soliciting companies and individuals to purchase or subscribe for these products and services.

OUR FINANCIAL PERFORMANCE

For the FY2016, AppAsia registered a revenue of RM4.659 million and loss before taxation of RM 6.851 million as compared to a revenue of RM 10.073 million and loss before taxation of RM 5.149 million for the previous financial year.

The key reason to the loss was due to the decline in revenue. There are 2 main factors contributing to the revenue's decline.

1. The company's revenue in IT Security business has declined due to the loss of major clients.
2. The company's revenue in online fashion wholesale business has dropped sharply due to a change in the mindset of consumers who now have direct access to most if not all suppliers and thus bypassing wholesalers.

However, the revenue for the mobile games and digital media business have improved in 2016 due to higher online traffic and fast expansion of mobile user database.

BUSINESS REVIEW: NAVIGATING THOUGH A CHALLENGING MARKET LANDSCAPE

In 2016, most major companies have reduced their IT outsourcing expenditures due to economic slowdown as an impact from the poor performance of the global oil price and local currency. While this was expected, the company has taken initial measure by reducing the manpower cost and other expenditures to minimize the impact. In the 4th quarter of 2016, the company has then offered cloud solutions and services by partnering with global cloud player in order to leverage on the potential of cloud base industry.

In our e-commerce business segment, the overall online purchase was expected to be growing in line with the growing internet and mobile users.

In view with this, the Company is transforming its e-commerce business to an e-Marketplace. An e-Marketplace shall provide a better platform for AppAsia to provide full fledged e-commerce providers across various industry. Besides fashion, AppAsia shall be able to sell more variety of products to leverage on the growing online sales.

In our mobile application business, it is our mission to cultivate and develop this new industry in this region. We have organized some workshops and competition to attract talents and ideas. We have since developed more than 50 games and applications published in the Apple Appstore and Google Playstore. We are focusing in building the platform to integrate all the games for big users data. We shall continue to build and develop the killer apps with reasonable funding.

Our digital media business has improved with the fast growing online traffic and mobile users for our digital contents. We provide digital media platform for our media partners to promote their digital content via the internet, mobile and social media.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

MOVING AHEAD

We expect 2017 to be a challenging year with various uncertainties from the global economy slowdown to the poor local currency issues. Our overall strategy is to reconsolidate the business operation to minimize cost while continue to develop the digital platform for long term values building.

One of the plans is to promote our e-commerce and mobile games businesses to the regional market by listing the companies in Australian Stock Exchange (ASX). In this plan, it shall allow the Group to consolidate our e-commerce and mobile games companies under a holding company based in Australia, which shall then be a subsidiary of AppAsia. This plan shall provide the Group with the opportunity to tap into the regional business and capital market. Moreover, this plan will also consolidate our online business and improve operational efficiency.

Going forward, AppAsia will work diligently to establish itself as a quality service provider to help community and partners to leverage the power of the internet to simply their lifestyles and business.

Wong Ngai Peow
Executive Director

CORPORATE SUSTAINABILITY STATEMENT

The Board of Directors acknowledges the importance of corporate social responsibility ("CSR") and strive to fulfil the expectation of its stakeholders by enhancing its social environmental and economical performance while ensuring the sustainability and operational success of the Company.

Sustainability is an integral part of our business and the Group's corporate responsibility practices focus on four areas - Environment, Workplace, Market Place and Community which aim to deliver sustainable value to society at large.

(I) ENVIRONMENT

The Group recognizes the impact of its day to day business on the environment. As such, the Group is committed by implementing environmentally friendly work processes while raising the environmental awareness among its staff.

(II) WORKPLACE

The Group believes that employees are key resources that drive long term and sustainable organizational successes. As such, the Group continuously create a safe, pleasant and conducive working environment for its employee.

The Group respects the different cultures, genders and religions of our stakeholders as we understand that the diversity and differences give us broader range of competences, skills and experiences to enhance our capabilities to achieve business results which is important for the overall business sustainability. Thus, the Group is committed to provide our staff an environment of equal opportunity to strive while promoting diversity in workforce.

To optimize the employee talents and capacities, various in-house training, external training programmes and seminar are continuously provided to all employees to enhance their knowledge and skill while promoting a motivated working team and fostering a closer relationship with each other.

(III) MARKET PLACE

The Group is committed to ensure that the interests of all its important stakeholders – shareholders, analysts, bankers, customers, suppliers, authority bodies and public are being taken care of. The Group emphasizes on good corporate governance practices, transparency and accountability to meet shareholders' expectations.

(IV) COMMUNITY

The Group recognizes the co-relationship between business growth and social well-being and welfare. Therefore, in fulfilling its corporate responsibility to the community in which it conducts its business, the Group is obligated to nourish and improve the quality of the society at large.

The Group shall continue to focus its corporate responsibility on enhancing community sustainability.

STATEMENT OF CORPORATE GOVERNANCE

The Board is committed to ensure that a high standard of corporate governance is practised throughout the Company and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism, to protect and enhance shareholders' value and the financial position of the Group.

The Board recognises the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") to enhance business prosperity and maximize shareholders' value. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG 2012 to the best interest of the shareholders of the Company.

Below is a statement and description in general on how the Group has applied the principles and complied with the best practice provisions as laid out in MCCG 2012 throughout the financial year ended 31 December 2016 ("FY 2016") pursuant to Rule 15.25 of the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions of the Board and Management

The respective roles and responsibilities of the Board and management are clearly set out and understood by both parties to ensure accountability. The Board is responsible for the oversight and overall management of the Group including assessing and agreeing with the Group's corporate objectives, and the goals and targets to be met by the management.

The Executive Directors of the Company, are responsible for managing the day-to-day running of the business activities in accordance with the direction and delegation of the Board. The management meets regularly to discuss and resolve operational issues. The Chairman is primarily responsible in leading and guiding the Board, and also serves as the communication point between the Board and the Executive Directors whilst the Executive Directors and his management team is responsible for implementing the plans chartered out and the day-to-day management of the Group.

Clear Roles and Responsibilities

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. Hence, to develope corporate objectives and position descriptions including the limits to management's responsibilities, which the management are aware and are responsible for meeting.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are systems in place that effectively monitor and manage these risks with a view of long term viability of the Group.

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

- <u>Review and Adopt Strategic Plan of the Group</u>

  The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long term strategy of the Group together with its proposed business plans for the forthcoming year. The Board is also monitor budgetary exercise which to support the Group's business plan and budget plan.

Statement of Corporate Governance (Cont'd)

PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Clear Roles and Responsibilities (Cont'd)

- Implementation of Internal Compliance Controls and Justify Measure to Address Principle Risks

  The Board is fully alert of the responsibilities to maintain a proper internal control system. The Board's responsibilities for the Group's system of internal controls are including financial condition of the business, operational, regulatory compliance as well as risk management matters.

- Developing and Implementing an Investor Relations Program or Shareholder Communications Policy For The Group

  The Board recognises that shareholders and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, The Company website is the primary medium in providing information to all shareholders and stakeholders.

- Succession Planning

  The Board has entrusted the Nomination Committee and Remuneration Committee with the duty to review candidates for the Board and to determine remuneration packages for these appointments, and to formulate nomination, selection, remuneration and succession policies for the Group.

  The Board put in place informal structure and practice to ensure key roles within the Group are supported by competent and caliber second-in-line to reduce the impact of abrupt departure of key personnel to the minimum possible. The succession planning of the Group is enhanced by the policies and standard operating procedures as well as job descriptions established for key business processes within the Group. In addition, during the review of the performance and strategies presented, at times, the Board reviews on the adequacy of caliber and competent human resources that are put in place for daily management and control of operations as well as proper execution of approved strategies.

The roles and responsibilities of the Board are clearly defined in the Board Charter, which is available on the Company's website at www.appasia.com.

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations.

The Board will normally hold meetings at least four (4) times in each financial year to consider:-

(i) relevant operational reports from the management;
(ii) reports on the financial performance;
(iii) specific proposals for capital expenditure and acquisitions, if any;
(iv) major issues and opportunities for the Company, if any; and
(v) quarterly financial statements for announcement to authorities.

Statement of Corporate Governance (Cont'd)

PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Clear Roles and Responsibilities (Cont'd)

The following are matters reserved for Board deliberation and decision, which are non-exhaustive and may be varied from time to time:-

- delegation of powers to Board Committees;
- receiving and approving reports and recommendations from Board Committees;
- approving strategic business plans, mergers and acquisitions of a substantial value;
- major investment or divestment of current businesses;
- changes to the group structure;
- provision of indemnities or corporate guarantees; and
- appointment of a senior independent director amongst the Board members.

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The Executive Directors hold the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans, business extension plans and proposals. The Independent Non-Executive Director, assisted by other Executive Directors, is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

In discharging its fiduciary duties, the Board has delegated specific tasks to four (4) Board Committees namely the Audit Committee, Nomination Committee, Remuneration Committee and Share Issuance Scheme ("SIS") Option Committee. All the Board Committees have its own terms of reference and have the authority to act on behalf of the Board within the authority as lay out in the terms of reference and to report to the Board with the necessary recommendation.

Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has formalised the Code of Conducts and Ethics which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur. The Code of Conduct and Ethics provides guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of Conduct and Ethics are available for reference at the Company's website at www.appasia.com.

Statement of Corporate Governance (Cont'd)

PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Strategies Promoting Sustainability

The Board is aware of the importance of business sustainability and reviews operational practices which impact on sustainability of environment, governance and social aspects of its business on a regular basis.

The Group is committed to the continuous efforts in maintaining a delicate balance between its sustainability agenda and other stakeholders' interest. The details of the sustainability efforts are set out in the "Corporate Sustainability Statement" of this Annual Report.

Access to Information and Advice

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board papers and seek clarification as and when they may need advisers or further explanation from the management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.

The Board has access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

In addition, all Directors have direct access to the advice and services of the Company Secretaries who are responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulatory are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units will also be invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Share Issuance Scheme ("SIS") Option Committee briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

Qualified and Competent Company Secretaries

The Board is supported by qualified and competent Company Secretaries who are responsible for ensuring that the Company's Memorandum and Articles of Association, procedures and policies and regulations are complied with. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

The Company Secretaries attend all Board and all Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

Statement of Corporate Governance (Cont'd)

PRINCIPLE 2 : STRENGTHEN COMPOSITION

Nomination Committee ("NC")

As recommended by the MCCG 2012, the Company has established the NC comprising exclusively of Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis. The appointment of new Directors is the responsibility of the full Board after considering the recommendation of the NC. The NC is aware of their duties and responsibilities.

As a whole, the Company maintains a very lean number of Board members. The present members of the NC are as follows:-

Low Kim Leng *(Non-Independent Non-Executive Director)*	Chairman
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil *(Independent Non-Executive Chairman)*	Member
Ng Kok Wah *(Independent Non-Executive Director)*	Member

The Terms of Reference of the NC can be viewed at the Company's website at www.appasia.com.

The NC shall meet at least once a year unless otherwise determine by the NC. The Quorum for meeting and/or for the sanction and endorsement of approvals in writing shall be at least two (2) members, of which at least one (1) shall be an independent director.

In fulfilling its primary objectives, the NC shall undertake, amongst others, the following duties and responsibilities:

(i) to regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;

(ii) to evaluate the effectiveness of the Board as a whole, the various Committees and each individual Director's contribution to the effectiveness on the decision making process of the Board;

(iii) give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;

(iv) prepare a description of the roles and capabilities required for a particular appointment;

(v) identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;

(vi) in determining the process for the identification of suitable new candidates, the NC will ensure that an appropriate review or search is undertaken by an independent third party to ensure the requirement and qualification of the candidate nominated;

(vii) to make recommendations to the Board on candidates it considers appropriate for appointment; and

(viii) to recommend to the Board concerning the re-election by shareholders of any director under the "retirement by rotation" provisions in the Company's Article of Association.

Statement of Corporate Governance (Cont'd)

PRINCIPLE 2 : STRENGTHEN COMPOSITION (CONT'D)

Nomination Committee ("NC") (Cont'd)

The summary of activities undertaken by the NC during the financial year included the followings:

(i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;and

(ii) Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association.

Remuneration Committee ("RC")

In line with the best practices of the MCCG 2012, the Board has set up a RC which comprise a majority of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration. The present members of the RC are as follow:-

Low Kim Leng *(Non-Independent Non-Executive Director)*	Chairman
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil *(Independent Non-Executive Chairman)*	Member
Ng Kok Wah *(Independent Non-Executive Director)*	Member

The Terms of Reference of the RC can be viewed at the Company's website at www.appasia.com.

The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.

The RC's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The RC also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflect the amount paid by other comparable organizations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

The summary of activities undertaken by the RC during the financial year included the following:

(a) Reviewed and recommended the payment of Directors' fees to Non-Executive Directors.

Statement of Corporate Governance (Cont'd)

PRINCIPLE 2 : STRENGTHEN COMPOSITION (CONT'D)

SIS Option Committee

The SIS Option Committee was established on 12 March 2015. The SIS Option Committee is primarily responsible for administering the Company's SIS Option in accordance with the approved SIS Bye-Laws and regulations. The present members of the SIS Option Committee are as follows:-

Toh Hong Chye	Chairman
Wong Ngai Peow	Member
Yong Mai Fang	Member
Joanne Shu	Member

Appointments to the Board

The NC makes independent recommendations for appointments to the Board. In making these recommendations, the NC assesses the suitability of candidates, taking into account the character, integrity, competence, time commitment and other qualities of the candidates, before recommending their appointments to the Board for approval.

Criteria for Recruitment

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the NC. As a whole, the Company maintains a very lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the NC. The NC will then recommends the candidates to be approved and appointed by the Board. The Company Secretaries will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The NC will help assesses and recommends to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

In assessing suitability of candidates, consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of the Business, the Markets and the Industry in which the Group operates and the accounting, finance and legal matters.

In general, the process for the appointment of director to the Board is as follows:

(i) The NC reviews the Board's composition through Board assessment/evaluation;
(ii) The NC determines skills matrix;
(iii) The NC evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
(iv) The NC recommends to the Board for appointment; and
(v) The Board approves the appointment of the candidates.

Statement of Corporate Governance (Cont'd)

PRINCIPLE 2 : STRENGTHEN COMPOSITION (CONT'D)

Factors considered by the NC when recommending a person for appointment as a director include:

(i) the merits and time commitments required for a Non-Executive Director to effectively discharge his or her duties to the Company;

(ii) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and

(iii) the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

Criteria for Board Assessment

The NC would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self assessment approach on an annually basis. From the results of the assessment, including the mix of skills and experiences possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting, with a view to meet current and future requirements of the Group.

The criteria used by the NC in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. Each of the Directors will perform a self assessment on an annually basis. The Board did not engage any external party to undertake an independent assessment of the Directors. Based on the assessment conducted for the FY 2016, the Board and the NC is satisfied with the current size, composition as well as the mix of qualifications, skills and experiences among the Board members and the independence of its Independent Non-Executive Directors.

Re-election of Directors and re-appointment of Directors by rotation

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board may only hold office until the next following Annual General Meeting ("AGM") subsequent to their appointment and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM. The Articles also provide that one-third of the Directors, or if their number is not three or a multiple of three, then the number nearest to one-third, are subject to retirement by rotation at every AGM but are eligible for re-election provided always that each Directors shall retire from office at least once in every three years.

Boardroom and Gender Diversity

The Board recognises the importance of diversity in its composition in ensuring its effectiveness and good corporate governance. Although the Board has yet to establish any diversity policy. However, the Board will consider females onto the Board in due course to bring more diverse perspective.

Directors' Remuneration Procedures and Policies

The Directors' fee including Non-Executive Directors if any, have to be endorsed by the Board and would seek approval from the shareholders of the Company at the Annual General Meeting. The compensations for Non-Executive Directors are linked to their experience and level of responsibility taken.

The Board believes that AppAsia should have a fair remuneration policy to attract, retain and motivate directors. It has established a RC to review and ensure that the remuneration of its members fairly reflect the Board's and members' responsibilities, the expertise required by Bison and the complexity of its operations. The said remuneration should also be in line with the business strategy and long term objectives of AppAsia.

Statement of Corporate Governance (Cont'd)

PRINCIPLE 2 : STRENGTHEN COMPOSITION (CONT'D)

Directors' Remuneration Procedures and Policies (Cont'd)

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) and categorised into appropriate components for the FY 2016 are as follows:

(i) Aggregate Directors' Remuneration

Director	Company		Group	
	Fees (RM)	Salaries and * other emoluments (RM)	Fees (RM)	Salaries and * other emoluments (RM)
Executive Directors	–	587,397	283,158	839,984
Non-Executive Directors	162,000	300	162,000	300
Total	162,000	587,697	445,158	840,284

* Other emoluments include the meeting allowance for the Directors' attendance in Board and Board's Committee Meetings.

(ii) Analysis of Directors' Remuneration

The number of Directors whose remuneration falls into the following bands is as follows:

Range of Remuneration	Number of Directors			
	Company		Group	
	Executive	Non-Executive	Executive	Non-Executive
Below RM50,000	–	1	–	1
RM50,000 to RM100,000	1	2	–	2
RM100,001 to RM150,000	–	–	–	–
RM150,001 to RM200,000	–	–	–	–
RM200,001 to RM250,000	–	–	–	–
RM250,001 to RM300,000	–	–	1	–
RM300,001 to RM350,000	–	–	1	–
RM350,001 to RM400,000	–	–	–	–
RM400,001 to RM450,000	1	–	1	–
RM900,001 to RM950,000	–	–	–	–

Details of the individual Director's remuneration are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band and analysis between Executive and Non-Executive Directors satisfies the accountability and transparency aspects of the MCCG 2012.

Statement of Corporate Governance (Cont'd)

PRINCPLE 3: REINFORCE OF INDEPENDENCE

Annual Assessment of Independence

The Board has set out policies and procedures to ensure effectiveness of the Independent Directors on the Board, including new appointment. The Board assesses the independence of the Independent Directors annually, taking into account the individual Director's ability to exercise independent judgment at all times and to contribute to the effective functioning of the Board.

The Independent Directors are not employees and they do not participate in the day-to-day management as well as the daily business of the Company. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinize the performance of Management in meeting approved goals and objectives, and monitor risk profile of the Company's business and the reporting of monthly business performance.

The Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfill the definition of independence as set out in the Listing Requirements of Bursa Securities.

Tenure of Independent Directors and Shareholders' Approval for the Re-Appointment of Independent Directors Who Have Served More Than Nine (9) Years

Currently, the Board does not have a policy on the tenure for Independent Directors as the Board is of the view that a term of more than nine (9) years may not necessary impair independence and judgment of an Independent Director and therefore the Board does not deemed it appropriate to impose a fixed term limit for Independent Directors at this juncture.

However, as recommended by the MCCG 2012, the tenure of an independent director should not exceed cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting, normally the annual general meeting of the Company.

As at the date of this statement, none of the independent directors had served the Company for more than nine (9) years as per the recommendations of MCCG 2012.

Composition of the Board

The Company is managed by a well-balanced Board which consists of members with wide range of business, technical and financial background. This brings diversity and insightful depth to the company leadership and management.

The Board consists of five (5) directors of whom one (1) Independent Non-Executive Chairman, two (2) are executive directors, one (1) Non-Independent Non-Executive Director and one (1) Independent Non-Executive Director. The composition of the Board is in compliance with Rule 15.02 of the Listing Requirements whereby at least two (2) or one-third (1/3) of its Board members are Independent Directors. The profile of each Director is presented separately in pages 6 to 8 of this Annual Report.

The members of the Board are professionals with calibre and entrepreneurs equipped with industry specific knowledge and experience. This wide spectrum of skills and experience provide the strength that is needed to lead the Company to meet its objectives. The Board is of the opinion that the directors, with their different background and specializations, collectively bring with them the required expertise and experience to discharge the Board's duties and responsibilities.

Statement of Corporate Governance (Cont'd)

PRINCPLE 3: REINFORCE OF INDEPENDENCE (CONT'D)

Separation of Positions of Chairman and Executive Director

During the financial year under review, the Company has complied with the recommendation of the MCCG 2012 where the positions of the Chairman and the Executive Director are held by different individuals, and that the Chairman is a non-executive member of the Board.

The roles of the Chairman and the Executive Directors are clearly defined and segregated, to ensure appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision-making. The Chairman are not related to the Executive Directors, and are responsible in leading the Board in the oversight and supervision of the Group's management; whilst the Executive Directors are responsible for the day-to-day operations of the Group, making strategic business decision and implementing the Board's policies and decisions.

Independent Chairman

During the financial year under review, the Board is chaired by an Independent Non-Executive Director and one-third (1/3) of the Board consists of Independent Non-Executive Directors.

The Chairman being an Independent Non-Executive Director, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgment.

The Board therefore believes that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

PRINCIPLE 4: FOSTER COMMITMENT

Time Commitment and Directorship in Other Public Listed Companies

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Rule 15.06 of the Listing Requirements.

Each Board members expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

Statement of Corporate Governance (Cont'd)

PRINCIPLE 4: FOSTER COMMITMENT (CONT'D)

Time Commitment and Directorship in Other Public Listed Companies

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

Name of Director	Designation	Attendance
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	*Independent Non-Executive Chairman*	5/5
Toh Hong Chye	*Executive Director*	5/5
Wong Ngai Peow	*Executive Director*	5/5
Low Kim Leng	*Non-Independent Non-Executive Director*	5/5
Ng Kok Wah	*Independent Non-Executive Director*	5/5

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the FY 2016.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretaries, after consultation with the Chairman. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

The tentative dates for Board and Board Committee meetings for the year will be circulated by the Company Secretaries well in advance towards the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the Annual General Meeting. At the end of each Board and Audit Committee meetings, the date of the next meetings is to be re-confirmed.

Continuing Education Programs/ Directors' Training

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. Although the Board does not have a policy requiring each of the Directors to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes/seminars/ conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

The Board has undertaken an assessment of the training needs of each Directors and ensured that all the Directors undergo the necessary training programme to enable them to effectively discharge their duties.

Details of seminars / conferences / training programmes attended by the Board members during the financial year as listed below:

- Total Revamp with Huge Tax Planning Opportunities
- Amendment to the Listing Requirement
- Financial Hidden In Plain, Sight. Why Director Need to ask Hard Questions
- Positioning a Strong Broad Risk Oversight Role Beyond Financial Performance
- Companies Act, 2016
- MIA International Accountants Conference 2016
- Launch of The AGM Guide & CG Breakfast Series: 'How To Leverage on AGMs for Better Engagement with Shareholders

Statement of Corporate Governance (Cont'd)

PRINCIPLE 4: FOSTER COMMITMENT (CONT'D)

Continuing Education Programs/ Directors' Training (Cont'd)

During the financial year ended 31 December 2016, all the Directors have attended the necessary training programmes as required under the Rule 15.08 of the Listing Requirements.

In addition to the above, the Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and the Company Secretaries during the Committee and/or Board meetings.

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance and Applicable Financial Reporting Standards

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 December 2016 are prepared in accordance with the Malaysian Financial Reporting Standards, Listing Requirements and the Companies Act, 2016. The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

The statement by the Board pursuant to Rule 15.26(a) of the Listing Requirements on its responsibilities in preparing the financial statements is set out in page 33 of this Annual Report.

Assessment of Suitability and Independence of External Auditors

The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.

The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.

In assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the following:

(i) the adequacy of the experience and resources of the External Auditors;

(ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;

(iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and

(iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Statement of Corporate Governance (Cont'd)

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

Assessment of Suitability and Independence of External Auditors (Cont'd)

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the Annual General Meeting on the recommendation of the Board. The External Auditors are being invited to attend the Annual General Meeting of the Company to response and reply to the Shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

Where necessary, the Audit Committee will meet with the External Auditors without the presence of Executive Director and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit Committee are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 December 2016.

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the Annual General Meeting on the re-appointment of Messrs UHY as the External Auditors of the Company for the financial year ending 31 December 2017.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

Risk Management and Internal Control

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks, respond appropriate to risks of the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review to the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

The information on the Group's internal control is further elaborated in pages 37 to 39 on the Statement on Risk Management and Internal Control of this Annual Report.

Statement of Corporate Governance (Cont'd)

PRINCLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policies

The Board recognises the importance of keeping the shareholders informed and updated of development concerning the Group. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Securities. The Group practices open communication with its investors.

In order to maintain its commitment of effective communication with shareholders, the Group embrace the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The practice of disclosure of information is to adopt the best practices recommended in the MCCG 2012 with regard to strengthening engagement and communication with shareholders, it is not only established just to comply with the Listing requirements of Bursa Securities.

The Group also endeavour to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.appasia.com incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the Investor Relations function by including all announcements made by the Company and its annual reports.

The quarterly financial results are announced via Bursa LINK after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to info@appasia.com.

Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board is of the view that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

The Executive Directors of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Statement of Corporate Governance (Cont'd)

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. The shareholders will be notified of the meeting together with a copy of the Company's Annual Report at least twenty one (21) days before the meeting. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution. At the AGM, the Board will present to the shareholders with a comprehensive report on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session there at, where they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions between the Directors, senior management staff, the shareholders and investors are always active before and after the general meetings.

Apart from contacts at general meetings, currently there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement has been satisfactory.

Poll Voting

In line with Rule 8.31A of the Listing Requirements, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

Effective Communication and Proactive Engagement

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCCG 2012 with regards to strengthening engagement and communication with shareholders.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

(i) Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
(ii) Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
(iii) Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and
(iv) AGMs.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. The Share Registrar is also available to attend to administrative matters relating to shareholder interests.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements prepared for each financial year to give a true and accurate view of the state of the Group and the Company of the results and cash flows of the Group and the Company for the financial year then ended.

In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

(i) Overseeing the overall conduct of the Company's business and that of the Group;
(ii) Identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
(iii) Reviewing the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
(iv) Adopting suitable accounting policies and apply them consistently;
(v) Making judgments and estimates that are reasonable and prudent; and
(vi) Ensuring compliance with application Approved Accounting Standards in Malaysia.

The Directors are responsible for ensuring that proper accounting and other records which are closed with reasonable accuracy at any time the financial position of the Group and ensuring that the financial statements comply with the Listing Requirements, the provisions of the Companies Act, 2016 and applicable Approved Accounting Standards in Malaysia. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2016, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG 2012 and all other applicable laws, where applicable and appropriate.

AUDIT COMMITTEE'S REPORT

The Audit Committee was established with the primary objective of assisting the Board in the areas of corporate governance, system of internal control, risk management, and management and financial reporting practices of the Group.

COMPOSITION

Chairman
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil - Independent Non-Executive Chairman

Members
Ng Kok Wah - Independent Non-Executive Director
Low Kim Leng - Non-Independent Non-Executive Director

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee which laid down its duties and responsibilities are accessible via the Company's website at www.appasia.com .

ATTENDANCE OF MEETINGS

During the FY 2016, the Audit Committee held five (5) meetings. Details of the attendance of committee members are as follow:

No.	Name	Total Number of Meetings attended
1.	Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	5/5
2.	Ng Kok Wah*	5/5
3.	Low Kim Leng	5/5

* Member of Malaysian Institute of Accountants

SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The activities of the Audit Committee during the FY 2016 include the following:

(a) Reviewed the quarterly unaudited financial of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's results to Bursa Securities;

(b) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the FY 2016;

(c) Reviewed the annual audited financial statements of the Group before recommending to the Board for their approval and release of the Group's results to Bursa Securities;

(d) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;

Audit Committee's Report (Cont'd)

SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR (CONT'D)

The activities of the Audit Committee during the FY 2016 include the following: (Cont'd)

(e) Evaluated the performance of the external auditors for the FY 2016 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;

(f) Reviewed and assessed the adequacy of the scope and functions of the internal audit plan;

(g) Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;

(h) Reviewed the effectiveness of the Group's system of internal control;

(i) Reviewed the proposed fees for the external auditors and internal auditors in respect of their audit of the Company and the Group;

(j) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;

(k) Reviewed the Company's compliance with the Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;

(l) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control before recommending to the Board for approval and inclusion in the Annual Report; and

(m) Report to the Board on its activities and significant findings and results.

INTERNAL AUDIT FUNCTIONS

The Group has appointed an established external professional Internal Audit firm, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.

Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilising a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the Audit Committee.

The Audit Committee approves the internal audit plan during the first Audit Committee meeting each year. Any subsequent changes to the internal audit plan are approved by the Audit Committee. The scope of internal audit covers the audits of all units and operations, including subsidiaries as stated in the letter of engagement.

The cost incurred for the Internal Audit function during the financial year is approximately RM 32,500.

Audit Committee's Report (Cont'd)

INTERNAL AUDIT FUNCTIONS (CONT'D)

During the financial year, the following activities were carried out by the internal auditors in discharge of its responsibilities:

(i) The internal audit function conducted based on an annual internal audit plan was tabled and approved by the Audit Committee;

(ii) Internal Audit Plan covers the key functional areas and business activities of the major subsidiaries of the Group as well as issues relating to control deficiencies and areas for improvements including the relevant recommendations to address the issues;

(iii) Emphasis on best practices and management assurance that encompass all business risks, particularly on the effectiveness and efficiency of operations, reliability of reporting, compliance with applicable law and regulations and safeguard of assets;

(iv) Performed follow-up on status of management agreed action plan on recommendation raised in previous cycles of internal audits including specific timelines for those outstanding matters to be resolved; and

(v) Reports issued by the internal audit function were tabled at Audit Committee meetings in which management was present at such meeting to provide pertinent clarification or additional information to address questions raised by Audit Committee members pertaining to matters raised.

The Audit Committee and the Board agree that the internal audit review was done in accordance with the audit plan and the coverage is adequate.

For further details on the risk management, internal controls and internal audit functions, please refer to the Statement on Risk Management and Internal Control on pages 37 to 39 in this Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of AppAsia is pleased to provide the following Statement on Risk Management and Internal Control pursuant to Rule 15.26(b) of the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

RESPONSIBILITY

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

Due to inherent limitations in any risk management and internal control system, such system put into effect by management is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatement or errors.

The Board through its Audit Committee has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the Audit Committee on a periodic basis.

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

The Board is of the view that the risk management and internal control system in place for the period under review and up to the date of issuance of the annual report is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators, employees and the Group's assets.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements that have been established in the Group's risk management and internal control system are described below:

1. Risk Management System

Risk management is firmly embedded in the Group's management system as the Board firmly believes that risk management is critical for the Group's sustainability and the enhancement of shareholder value. Key management staff and Heads of Department are delegated with the responsibility to manage identified risks within defined parameters and standards. Periodic Management Meetings which are attended by the Department Heads and key management staff are held to discuss key risks and the appropriate mitigating controls. Significant risks affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings.

The key management staff meets regularly to review the risks faced by the Group and ensure that the existing mitigation actions are adequate. Risks identified were prioritized in terms of likelihood of occurrence and its impact on the achievement of the Group's business objectives.

Statement on Risk Management and Internal Control (Cont'd)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

2. Internal Control System

(i) A well-defined organisational structure with clear lines of accountability and responsibilities provide a sound framework within the organisation in facilitating check and balance for proper decision making at the appropriate authority levels of management including matters that require the Board's approval.

(ii) A documented delegation of authority that sets out decisions that need to be taken and the appropriate levels of management involved including matters that require the Board's approval.

(iii) The Board of Directors and Audit Committee meet at least once on a quarterly basis to review and deliberate on quarterly financial reports, annual financial statements, internal audit reports and etc. Discussions with management were held to deliberate on the actions that are required to be taken to address internal control issues identified.

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

3. Internal Audit Function

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

The cost incurred in respect of risk management and internal audit functions for the FY 2016 amounting to RM32,500 payable to the outsourced Internal Auditors, SF Chang Corporate Services Sdn Bhd.

During the FY 2016, internal audit visits were carried out and the findings of the internal audit, including the recommended corrective actions, were presented directly to the Audit Committee.

In addition, follow up review will be conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and had reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

MANAGEMENT'S ASSURANCE

The Executive Directors, representing the management, have given reasonable assurance to the Board that the Group's risk management and internal control systems are adequate and effective, in all material aspects, based on the risk management and internal controls adopted by the Group.

Statement on Risk Management and Internal Control (Cont'd)

CONCLUSION

For the financial period under review and up to the date of approval of this statement, the Board is of the opinion that the risk management and internal control system currently in place is adequate and effective to safeguard the Group's interests and assets. For the coming year, the Board will continually assess the adequacy and effectiveness of the Group's system of internal control and to strengthen it, as and when necessary.

This statement is made in accordance with a resolution of the Board of Directors dated 13 April 2017.

ADDITIONAL COMPLIANCE INFORMATION

1. AUDIT AND NON AUDIT FEES PAID TO EXTERNAL AUDITORS

During the financial year, the amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the FY 2016 were as follows:

	Company (RM)	Group (RM)
Audit Services Rendered	20,000	49,800
Non-Audit Services Rendered	–	–

2. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

There was no recurrent related party transaction of revenue or trading nature during the FY 2016.

3. REVALUATION POLICY

The Company does not have a revaluation policy on landed properties.

4. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

There was no other material contract and/or contracts relating to loan entered into by the Company and/or its subsidiary companies involving Directors and Major Shareholders' interests.

5. UTILISATION OF PROCEEDS

During the financial year, the Company had fully utilised the proceeds of RM13,895,640 raised from the Right Issue with warrants exercise in Fourth Quarter of 2016.

The details of the utilisation of proceeds are as follows:-

Purpose	Proceeds Raise RM'000	Amount Utilised RM'000	Amount Unutilised RM'000	Intended Timeframe for utilisation (from the date of listing i.e 2 January 2015)
Research and development for new product	3,882	3,882	–	Within 24 months
Purchase of production and operation equipment	1,151	1,151	–	Within 24 months
Working Capital	8,296	8,296	–	Within 24 months
Listing Expenses	567	567	–	Within 2 weeks
Total	13,896	13,896	–	

Financial Statements

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 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of research and development, 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, representing attributable to owners of the parent	6,851,813	2,143,040

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.

DIVIDEND

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

DIRECTORS' REPORT (Cont'd)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM28,112,280 to RM28,372,280 by way of the issuance of 2,600,000 new ordinary shares of RM0.10 each through the exercise of Share Issuance Scheme ("SIS") Options at issuance price of RM0.183 per ordinary share for cash consideration of RM475,800.

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 16(b) to the financial statements.

As at 31 December 2016, the total numbers of Warrants that remain unexercised were 138,956,400.

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 28 to the financial statements.

As at 31 December 2016, the options offered to take up unissued ordinary shares of RM0.10 each and the exercise prices are as follows:

		Number of options over ordinary shares of RM0.10 each			
Date of offer	**Exercise price**	**At 1.1.2016**	**Exercised**	**Lapsed**	**At 31.12.2016**
24 March 2015	0.183	66,790,000	(2,600,000)	(11,124,000)	53,066,000

DIRECTORS

Directors who served during the financial year until the date of this report are:

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil
Toh Hong Chye
Wong Ngai Peow
Low Kim Leng
Ng Kok Wah

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 1.1.2016	**Acquired**	**Sold**	**At 31.12.2016**
Interests in the Company				
Direct interests				
Toh Hong Chye	30,002,900	–	–	30,002,900
Wong Ngai Peow	103,000	300,000	–	403,000
Low Kim Leng	450,000	550,000	–	1,000,000
Indirect interests				
Toh Hong Chye*	30,000,000	–	–	30,000,000

	Number of Warrants			
	At 1.1.2016	**Acquired**	**Sold**	**At 31.12.2016**
Interests in the Company				
Direct interests				
Toh Hong Chye	17,000,000	–	(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 1.1.2016	**Grant**	**Exercised**	**At 31.12.2016**
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	1,050,000	–	(450,000)	600,000
Ng Kok Wah	1,500,000	–	–	1,500,000

* *Deemed interest pursuant to Section 8 of the Companies Act, 2016 ("the Act") by virtue of his substantial shareholdings in Richmond Virginia Tobacco Sdn. Bhd.*

By virtue of their interest in the shares of the Company, Toh Hong Chye hold > 20% shares in the Company are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016.

DIRECTORS' REPORT (Cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which 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 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 adequate allowance had been made for doubtful debts and there were no bad debts to be written off; 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 bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company 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 AND SUBSEQUENT EVENTS

The significant and subsequent events are disclosed in Note 34 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 13 April 2017.

TOH HONG CHYE

WONG NGAI PEOW

KUALA LUMPUR

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act, 2016

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 53 to 126 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial 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 at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 37 to the financial statements on page 126 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 13 April 2017.

TOH HONG CHYE

WONG NGAI PEOW

KUALA LUMPUR

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act, 2016

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 53 to 126 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 13 April 2017)

TOH HONG CHYE

Before me,

NO. W710
MOHAN A.S. MANIAM
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF APPASIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of APPASIA BERHAD, which comprise the statements of financial position as at 31 December 2016 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 126.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF APPASIA BERHAD (Cont'd)

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Recoverability of cost of investment in subsidiary companies Refer to Note 3(a)(i) (Significant Accounting Policies), Note 2(d) (Significant Accounting Judgements, Estimates and Assumptions) and Note 7 (Investment in Subsidiary Companies). The carrying value of cost of investment in subsidiary companies of the Company as at 31 December 2016 is RM18,406,504. The subsidiary companies recorded continued losses for two consecutive years, which is an impairment indicator. An impairment assessment was performed by management. The recoverable amounts of the investment are determined based on discounted future cash flows. No impairment was required as the recoverable amounts was in excess of their carrying amount. We focused on this area as the recoverable amounts of the investment are determined based on value-in-use method, which requires judgement on the part of management on the future financial performance of the subsidiary companies.	Our audit procedures included, amongst others: • Assessed the reliability of management's forecast through the review of past trends of actual financial performances against previous forecasted results; • Assessed the key assumptions on which the cash flow projections are based, by amongst others, comparing them against business plans, historical results and market data; • Performed sensitivity analysis on key assumptions to evaluate impact on the impairment assessment; and • Assessed the adequacy and reasonableness of the disclosures in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF APPASIA BERHAD (Cont'd)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF APPASIA BERHAD (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 7 to the financial statements, being accounts that have been included in the consolidated accounts.

(c) We are satisfied that the accounts 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.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF APPASIA BERHAD (Cont'd)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 37 to the financial statements on page 126 is 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 Disclosure 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 MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

LAI WONG CHUNG
Approved Number: 3277/08/18 (J)
Chartered Accountant

KUALA LUMPUR

13 April 2017

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	1,150,000	1,289,728	811,206	726,532
Investment properties	5	3,698,967	1,287,440	2,452,167	–
Product development expenditure	6	400,000	–	400,000	–
Investment in subsidiary companies	7	–	–	18,406,504	11,506,504
Investment in associate company	8	51,582	–	60,000	–
		5,300,549	2,577,168	22,129,877	12,233,036
Current Assets					
Inventories	9	286,587	531,776	–	–
Trade receivables	10	153,421	517,353	–	–
Other receivables	11	693,771	1,877,096	234,936	1,634,331
Amount due from subsidiary companies	12	–	–	–	4,119,531
Tax recoverable		109,596	85,230	–	–
Fixed deposits with licensed banks	13	16,620	241,954	–	–
Cash and bank balances	14	5,176,527	11,475,892	3,809,715	8,574,091
		6,436,522	14,729,301	4,044,651	14,327,953
Total Assets		11,737,071	17,306,469	26,174,528	26,560,989

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Cont'd)

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
EQUITY					
Share capital	15	28,372,280	28,112,280	28,372,280	28,112,280
Reserves	16	(18,329,217)	(12,934,667)	(3,528,083)	(2,848,747)
Total Equity		10,043,063	15,177,613	24,844,197	25,263,533
LIABILITIES					
Non-Current Liability					
Finance lease liabilities	17	141,253	47,682	141,253	47,682
		141,253	47,682	141,253	47,682
Current Liabilities					
Trade payables	18	42,236	468,549	–	–
Other payables	19	1,392,367	1,577,238	234,776	414,387
Amount due to subsidiary companies	12	–	–	838,929	800,000
Amount due to associate company	20	2,779	–	–	–
Finance lease liabilities	17	115,373	35,387	115,373	35,387
		1,552,755	2,081,174	1,189,078	1,249,774
Total Liabilities		1,694,008	2,128,856	1,330,331	1,297,456
Total Equity and Liabilities		11,737,071	17,306,469	26,174,528	26,560,989

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 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Revenue	21	4,658,751	10,072,657	2,760,000	960,000
Cost of sales		(1,122,173)	(4,083,724)	-	–
Gross profit		3,536,578	5,988,933	2,760,000	960,000
Other income		490,843	651,216	200,566	369,822
Administrative expenses		(10,862,982)	(11,749,618)	(5,094,214)	(5,106,198)
Finance costs	22	(9,392)	(39,597)	(9,392)	(9,679)
Share of result of associate company		(8,418)	–	–	–
Loss before tax	23	(6,853,371)	(5,149,066)	(2,143,040)	(3,786,055)
Taxation	24	1,558	(29,088)	–	–
Net loss for the financial year		(6,851,813)	(5,178,154)	(2,143,040)	(3,786,055)
Other comprehensive loss					
Item that is or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operation		(6,441)	(2,496)	–	–
Other comprehensive loss for the financial year		(6,441)	(2,496)	–	–
Total comprehensive loss for the financial year		(6,858,254)	(5,180,650)	(2,143,040)	(3,786,055)
Loss for the financial year attributable to owners of the parent		(6,851,813)	(5,178,154)	(2,143,040)	(3,786,055)
Total comprehensive loss attributable to owners of the parent		(6,858,254)	(5,180,650)	(2,143,040)	(3,786,055)
Loss per share					
Basic loss per share (sen)	25(a)	(2.43)	(1.85)		
Diluted loss per share (sen)	25(b)	(2.43)	(1.85)		

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to the Owners of the Parent							
		Non-Distributable						Distributable	
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	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 loss for the financial year		–	–	–	–	–	(2,496)	–	(2,496)
Total comprehensive loss for the financial year		–	–	–	–	–	(2,496)	(5,178,154)	(5,180,650)
Transactions with owners:									
Issued of ordinary shares	15, 16	13,895,640	–	–	–	–	–	–	13,895,640
Shares issuance expenses	16	–	(567,219)	–	–	–	–	–	(567,219)
Issued of warrants	16	–	–	20,982,416	(20,982,416)	–	–	–	–
Shares options granted under SIS	16	–	–	–	–	1,518,300	–	–	1,518,300
Exercised of SIS	15, 16	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 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (Cont'd)

		Attributable to the Owners of the Parent							
		Non-Distributable						Distributable	
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**	**Total Equity RM**
At 1 January 2016		28,112,280	4,013,140	20,982,416	(20,982,416)	1,286,217	(2,496)	(18,231,528)	15,177,613
Net loss for the financial year		–	–	–	–	–	–	(6,851,813)	(6,851,813)
Other comprehensive loss for the financial year		–	–	–	–	–	(6,441)	–	(6,441)
Total comprehensive loss for the financial year		–	–	–	–	–	(6,441)	(6,851,813)	(6,858,254)
Transactions with owners:									
Shares options granted under SIS	16	–	–	–	–	1,247,904	–	–	1,247,904
Shares options lapsed	16	–	–	–	–	(611,302)	–	611,302	–
Exercised of SIS	15, 16	260,000	397,405	–	–	(181,605)	–	–	475,800
		260,000	397,405	–	–	454,997	–	611,302	1,723,704
At 31 December 2016		28,372,280	4,410,545	20,982,416	(20,982,416)	1,741,214	(8,937)	(24,472,039)	10,043,063

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (Cont'd)

		Attributable to the Owners of the Parent						
		Non-Distributable					Distributable	
Company	**Note**	**Share Capital RM**	**Share Premium RM**	**Warrant Reserve RM**	**Other Reserve RM**	**Share Issuance Scheme Option Reserve RM**	**Accumulated Losses RM**	**Total Equity 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 loss for the financial year		–	–	–	–	–	(3,786,055)	(3,786,055)
Transactions with owners:								
Issued of shares	15, 16	13,895,640	–	–	–	–	–	13,895,640
Shares issuance expenses	16	–	(567,219)	–	–	–	–	(567,219)
Issued of warrants	16	–	–	20,982,416	(20,982,416)			–
Shares options granted under SIS	16	–	–	–	–	1,518,300	–	1,518,300
Exercised of SIS	15, 16	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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (Cont'd)

		Attributable to the Owners of the Parent						
		Non-Distributable					Distributable	
Company	Note	Share Capital RM	Share Premium RM	Warrant Reserve RM	Other Reserve RM	Share Issuance Scheme Option Reserve RM	Accumulated Losses RM	Total Equity RM
At 1 January 2016		28,112,280	4,013,140	20,982,416	(20,982,416)	1,286,217	(8,148,104)	25,263,533
Net loss for the financial year, representing total comprehensive loss for the financial year		–	–	–	–	–	(2,143,040)	(2,143,040)
Transactions with owners:								
Shares options granted under SIS	16	–	–	–	–	1,247,904	–	1,247,904
Shares options lapsed	16	–	–	–	–	(611,302)	611,302	–
Exercised of SIS	15, 16	260,000	397,405	–	–	(181,605)	–	475,800
		260,000	397,405	–	–	454,997	611,302	1,723,704
At 31 December 2016		28,372,280	4,410,545	20,982,416	(20,982,416)	1,741,214	(9,679,842)	24,844,197

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Cash Flows From Operating Activities					
Loss before tax		(6,853,371)	(5,149,066)	(2,143,040)	(3,786,055)
Adjustments for:					
Bad debts written off		–	1,289	–	–
Depreciation of investment properties		88,473	40,640	47,833	–
Depreciation of property, plant and equipment		836,461	390,670	536,565	150,721
Share-based payment		1,247,904	1,518,300	1,247,904	1,518,300
Goodwill written off	7(b)	–	413,618	–	–
Impairment on trade receivables		145,459	–	–	–
Interest expense		9,392	39,597	9,392	9,679
Inventories written off		–	89,668	–	–
Property, plant and equipment:-					
- written off		30,422	–	–	–
- others		2,521	–	2,521	–
Reversal of inventories written off		(52,196)	–	–	–
Waiver of amount due to other payable		(534)	–	–	–
Share of result of associate company		8,418	–	–	–
(Gain)/Loss on disposal of property, plant and equipment		(21,489)	11,126	–	11,126
Unrealised gain on foreign exchange		(124,748)	(84,606)	(80,024)	(33,825)
Interest income		(136,520)	(228,977)	(117,342)	(213,923)
Operating loss before working capital changes carried forward		(4,819,808)	(2,957,741)	(496,191)	(2,343,977)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (Cont'd)

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Cash Flows From Operating Activities (Cont'd)					
Operating loss before working capital changes brought forward		(4,819,808)	(2,957,741)	(496,191)	(2,343,977)
Change in working capital:					
Inventories		297,385	14,939	–	–
Receivables		1,401,798	(135,300)	1,399,395	(1,196,311)
Payables		(610,650)	1,069,988	(179,611)	195,666
Associate company		2,779	–	–	–
Subsidiary companies		–	–	4,158,460	(101,305)
		1,091,312	949,627	5,378,244	(1,101,950)
Cash (used in)/from operations		(3,728,496)	(2,008,114)	4,882,053	(3,445,927)
Interest paid		(9,392)	(39,597)	(9,392)	(9,679)
Interest received		136,520	228,977	117,342	213,923
Tax paid		(60,008)	(59,588)	–	–
Tax refund		37,200	14,292	–	–
Net cash (used in)/from operating activities		(3,624,176)	(1,864,030)	4,990,003	(3,241,683)
Cash Flows From Investing Activities					
Addition of product development expediture		(400,000)	–	(400,000)	–
Net cash outflows from acquisition of business	7(b)	–	(1,059,593)	–	–
Purchase of property, plant and equipment	4(a)	(497,062)	(1,253,086)	(383,760)	(708,964)
Purchase of investment properties		(2,500,000)	–	(2,500,000)	–
Proceeds from disposal of property, plant and equipment		29,329	89,538	–	89,538
Investment in subsidiary companies		–	–	(6,900,000)	(2,000,000)
Investment in associate company		(60,000)	–	(60,000)	–
Net cash used in investing activities		(3,427,733)	(2,223,141)	(10,243,760)	(2,619,426)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (Cont'd)

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Cash Flows From Financing Activities					
Proceeds from issuance of shares	15	–	13,895,640	–	13,895,640
Proceeds from exercise of SIS options		475,800	587,430	475,800	587,430
Shares issuance expenses	16	–	(567,219)	–	(567,219)
Decrease in fixed deposits pledged		241,954	66,204	–	–
Repayment of finance lease liabilities		(66,443)	(138,750)	(66,443)	(138,750)
Repayment of term loan		–	(500,000)	–	–
Net cash from financing activities		651,311	13,343,305	409,357	13,777,101
Net (decrease)/increase in cash and cash equivalents		(6,400,598)	9,256,134	(4,844,400)	7,915,992
Effect of exchange translation differences on cash and cash equivalents		117,853	40,942	80,024	33,825
Cash and cash equivalents at the beginning of the financial year		11,475,892	2,178,816	8,574,091	624,274
Cash and cash equivalents at the end of the financial year		5,193,147	11,475,892	3,809,715	8,574,091
Cash and cash equivalents at the end of the financial year comprises:					
Fixed deposits with licensed banks		16,620	241,954	–	–
Cash and bank balances		5,176,527	11,475,892	3,809,715	8,574,091
		5,193,147	11,717,846	3,809,715	8,574,091
Less: Fixed deposits pledged with licensed banks		–	(241,954)	–	–
		5,193,147	11,475,892	3,809,715	8,574,091

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016

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 research and development, 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 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 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.

Adoption of new and amended standards

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

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012–2014 Cycle	

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (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, Interpretation and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
Amendment to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 12		1 January 2017
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
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 2	Classification and measurement of Share-based payment Transactions	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

The initial application of the abovementioned MFRSs and interpretation 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.*

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 Group is currently assessing the financial impact that may arise from the 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 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.

The Group is currently assessing the financial impact that may arise from the adopting MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is currently assessing the financial impact that may arise from the adopting MFRS 16.

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

(c) 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.

(d) Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

(d) Significant accounting judgments, estimates and assumptions (Cont'd)

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. The carrying amount of the property, plant and equipment and investment properties are disclosed in Note 4 and 5 respectively to the financial statements.

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 9 to the financial statements.

Development costs

The Group capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of development costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generations of the project, discount rates to be applied and the expected period of benefits. The carrying amount at the reporting date for development costs is disclosed in Note 6 to the financial statements.

Recoverability of development costs

During the year, the Directors considered the recoverability of the Group's development cost arising from its innovative secure chat messaging system development. The project continues to progress in a satisfactory manner, and customer reaction has reconfirmed the Directors' previous estimates of anticipated revenues from the project. However, increased competitor activity has caused the Directors to reconsider their assumptions regarding future market share and anticipated margins of this product. Detailed sensitivity analysis has been carried out and the Directors are confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if market activity indicates that such adjustments are appropriate. The carrying amount at the reporting date for development costs is disclosed in Note 6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

(d) Significant accounting judgements, estimates and assumptions (Cont'd)

Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Note 10 and 11 respectively to the financial statements.

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 26 to financial statements.

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 Note 16(d) and 28 respectively to the financial statements.

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 2016, the Group has tax recoverable of RM109,596 (2015: RM85,230).

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

(d) Significant accounting judgements, estimates and assumptions (Cont'd)

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 2016 is disclosed in Note 35 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.

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basic of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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(m)(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 lost 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(m)(i) on impairment of non-financial asset.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Investments in associate company

An associate company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

On acquisition of an investment in an associate company, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate company's profit or loss for the period in which the investment is acquired.

An associate company is equity accounted for from the date on which the investee becomes an associate. Under the equity method, on initial recognition the investment in an associate company or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate company after the date of acquisition. When the Group's share of losses in an associate company equals or exceeds its interest in the associate company, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate company.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate company are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred

The financial statements of the associate company and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate company or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single assets, by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate company, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate company upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associate company is 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(m)(i) on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) 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 each reporting date, 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 reporting date 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 Ringgit Malaysia "RM", including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange translation reserve ("ETR") 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 ETR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) 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(m)(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (Cont'd)

(iii) Depreciation

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	20% - 50%
Motor vehicles	20%
Renovation	20% - 50%

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.

(e) 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.

<u>As lessee</u>

(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.

(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 properties and measured using fair value model.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

As lessee (Cont'd)

(ii) Operating lease (Cont'd)

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.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(f) 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 properties 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 properties.

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 land and buildings	2%

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(m)(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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Intangible assets

(i) Internally-generated intangible assets - research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete; and
- the ability to measure reliably the expenditure during development.

The amount initially recognised for internally–generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

(ii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(m)(i) to the financial statements on impairment of non-financial assets for intangible assets.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets (Cont'd)

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 purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

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 loss that had been recognised in equity is recognised in profit or loss.

(i) 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 the following categories:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, contingent consideration in a business combination or financial liabilities designated into this category upon initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivatives financial instruments that are not designated as effective hedging instruments. Separated embedded derivatives are also categorised as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognised in profit or loss.

(ii) Other financial liabilities measured at amortised cost

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial liabilities (Cont'd)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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.

(j) 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.

(k) 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.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Impairment of assets (Cont'd)

(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.

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.

(n) Share capital

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.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Employee benefits (Cont'd)

(i) Short term employee benefits (Cont'd)

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

<u>Equity-settled share-based payment transaction</u>

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.

(p) 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.

(q) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Revenue (Cont'd)

(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.

(r) 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 theirs 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.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) 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.

(t) 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.

(u) 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 31 DECEMBER 2016 (Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
Group						
2016						
Cost						
At 1 January 2016	266,439	222,894	593,028	181,320	534,805	1,798,486
Additions	59,798	44,453	4,199	268,868	359,744	737,062
Disposals	–	(245)	(9,120)	(61,320)	–	(70,685)
Written off	(24,543)	(18,910)	–	–	(41,980)	(85,433)
Others	–	–	(6,724)	–	–	(6,724)
Foreign currency translation differences	–	547	–	–	–	547
At 31 December 2016	301,694	248,739	581,383	388,868	852,569	2,373,253
Accumulated depreciation						
At 1 January 2016	30,997	67,732	220,690	77,791	111,548	508,758
Charge for the financial year	63,183	43,850	238,287	47,198	443,943	836,461
Disposals	–	(82)	(4,180)	(58,583)	–	(62,845)
Written off	(6,243)	(13,785)	–	–	(34,983)	(55,011)
Others	–	–	(4,203)	–	–	(4,203)
Foreign currency translation differences	–	93	–	–	–	93
At 31 December 2016	87,937	97,808	450,594	66,406	520,508	1,223,253
Carrying amount						
At 31 December 2016	213,757	150,931	130,789	322,462	332,061	1,150,000

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

	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation 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	393,357	120,000	485,007	1,361,086
Arising from acquisition of business	17,844	29,689	28,307	4,320	7,818	87,978
Disposals	–	–	–	(134,219)	–	(134,219)
At 31 December 2015	266,439	222,894	593,028	181,320	534,805	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	186,435	43,162	102,802	390,670
Disposals	–	–	–	(33,555)	–	(33,555)
At 31 December 2015	30,997	67,732	220,690	77,791	111,548	508,758
Carrying amount						
At 31 December 2015	235,442	155,162	372,338	103,529	423,257	1,289,728

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (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						
2016						
At 1 January 2016	104,958	63,390	257,267	120,000	313,707	859,322
Additions	21,871	30,932	4,199	268,868	297,890	623,760
Others	–	–	(6,724)	–	–	(6,724)
At 31 December 2016	126,829	94,322	254,742	388,868	611,597	1,476,358
Accumulated depreciation						
At 1 January 2016	1,475	1,008	95,720	20,000	14,587	132,790
Charge for the financial year	26,840	19,283	123,059	46,406	320,977	536,565
Others	–	–	(4,203)	–	–	(4,203)
At 31 December 2016	28,315	20,291	214,576	66,406	335,564	665,152
Carrying amount						
At 31 December 2016	98,514	74,031	40,166	322,462	276,033	811,206

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

	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
2015						
At 1 January 2015	–	–	42,358	134,219	–	176,577
Additions	104,958	63,390	214,909	120,000	313,707	816,964
Disposals	–	–	–	(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
Disposals	–	–	–	(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 31 DECEMBER 2016 (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 acquired under finance lease financing and cash payments are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Aggregate costs	737,062	1,361,086	623,760	816,964
Less: Finance leases	(240,000)	(108,000)	(240,000)	(108,000)
Cash payments	497,062	1,253,086	383,760	708,964

(b) Assets held under finance leases

The carrying amount of property, plant and equipment of the Group and the Company held under finance leases are as follow:

	Group and Company	
	2016 RM	**2015 RM**
Motor vehicles	322,462	100,000

The leased assets are pledged as securities for the related finance lease liabilities as disclosed in Note 17 to the financial statements.

5. INVESTMENT PROPERTIES

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Freehold land and buildings:				
Cost				
At 1 January	2,032,000	2,032,000	–	–
Addition	2,500,000	–	2,500,000	–
At 31 December	4,532,000	2,032,000	2,500,000	–
Accumulated depreciation				
At 1 January	744,560	703,920	–	–
Charge for the financial year	88,473	40,640	47,833	–
At 31 December	833,033	744,560	47,833	–
Carrying amount				
At 31 December	3,698,967	1,287,440	2,452,167	–
Fair value of investment properties				
At 31 December	7,030,000	4,030,000	3,000,000	–

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (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:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Rental income	(150,100)	(146,400)	–	–
Direct operating expenses	52,658	34,022	5,380	–

6. PRODUCT DEVELOPMENT EXPENDITURE

	Group and Company	
	2016 RM	**2015 RM**
Cost		
At 1 January	–	–
Additions	400,000	–
At 31 December	400,000	–
Carrying amount		
At 31 December	400,000	–

Product development expenditure represents the costs incurred in relation to innovation of secure chat messaging system. The expenditure is under development are not amortised until the asset is ready for its intended use.

Impairment testing for product development expenditure

The product development expenditure of the Group and the Company was tested for impairment using the value-in-use ("VIU") method.

The recoverable amount of CGU in respect of the product development expenditure was determined based on VIU calculation. Cash flow projections used in these calculations were based on five-year financial budgets approved by management. Pre-tax discount rates of 4.75% (2015: Nil) have been applied to cash flow projections.

Based on the impairment test, no impairment is required for the product development expenditure.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2016 RM	Company 2015 RM
In Malaysia		
Unquoted shares, at cost	18,406,504	11,506,504

Details of subsidiary companies are as follows:

Name of company	Country of incorporation	Equity interest 2016 %	Equity interest 2015 %	Principal activities
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.
AppAsia Cloud Sdn. Bhd. (Formerly known as 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	100	E-commerce business mainly wholesale of apparel, accessories and any other products and services.
AppAsia International Sdn. Bhd.	Malaysia	100	100	Investment holding, online trading, e-commerce, mobile application solutions.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (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 2016 %	2015 %	Principal activities
AppAsia Online Sdn. Bhd.	Malaysia	100	–	Dormant
AppAsia Pay Sdn. Bhd.	Malaysia	100	–	Online payment gateways, e-commerce, electronic data interchange etc. and mobile application development related business.
Held through AppAsia International Sdn. Bhd.				
AppAsia International Pty. Ltd. *	Australia	100	100	Online trading, e-commerce, mobile application solutions.

* *Subsidiary company not audited by UHY*

(a) Acquisition of subsidiary companies

During the financial year:

(i) On 20 September 2016, the Company had acquired two (2) ordinary shares of RM1.00 each in AppAsia Online Sdn. Bhd. from Toh Hong Chye and Wong Ngai Peow for a cash consideration of RM2.00. Consequently, AppAsia Online Sdn. Bhd. became a wholly-owned subsidiary company of the Company.

(ii) On 9 August 2016, the Company had acquired two (2) ordinary shares of RM1.00 each in AppAsia Pay Sdn. Bhd. from Toh Hong Chye and Wong Ngai Peow for a cash consideration of RM2.00. Consequently, AppAsia Pay Sdn. Bhd. became a wholly-owned subsidiary company of the Company.

In previous 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 for a cash 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 for a cash consideration of RM2.00. Consequently, AppAsia Mall Sdn. Bhd. became a wholly-owned subsidiary company of the Company.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Acquisition of subsidiary companies (Cont'd)

<u>Goodwill arising from business combination</u>

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

	2016 RM	2015 RM
Fair value consideration transferred	4	4
Fair value of identifiable assets acquired and liabilities assumed	(4)	(4)
Goodwill	–	–

<u>Net cash outflow arising from acquisition of subsidiary companies</u>

	2016 RM	2015 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.

(b) Acquisition of new business

In previous financial year:

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

<u>Goodwill arising from acquisition of business</u>

	2016 RM	2015 RM
Fair value consideration transferred - cash	–	1,500,000
Fair value of identifiable assets acquired and liabilities assumed	–	(1,086,382)
Goodwill	–	413,618

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Acquisition of new business (Cont'd)

Fair value of identifiable assets acquired and liabilities assumed

	2016 RM	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)
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

	2016 RM	2015 RM
Fair value consideration transferred - cash	–	1,500,000
Fair value of identifiable assets acquired and liabilities assumed	–	(1,086,382)
Goodwill	–	413,618

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 Nil and Nil (2015: 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 Nil and Nil (2015: RM3,456,761 and RM1,153,747) respectively.

8. INVESTMENT IN ASSOCIATE COMPANY

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At Cost				
Unquoted shares in Malaysia	60,000	–	60,000	–
	60,000	–	60,000	–
Share of post-acquisition reserve	(8,418)	–	–	–
	51,582	–	60,000	–

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

8. INVESTMENT IN ASSOCIATE COMPANY (CONT'D)

Details of associate company as below:

Name of company	Country of incorporation	Equity interest 2016 %	Equity interest 2015 %	Principal activities
AppAsia Express Sdn. Bhd.	Malaysia	20	–	Courier services carry business as distributor

On 3 October 2016, the Company had acquired two (2) ordinary shares of RM1.00 each in AppAsia Express Sdn. Bhd. from Toh Hong Chye and Wong Ngai Peow for a cash consideration of RM2.00. Subsequently, the Company had acquired 59,998 new ordinary shares of RM1.00 each at par for cash consideration of RM59,998. Consequently, AppAsia Express Sdn. Bhd. became an associate company of the Company.

9. INVENTORIES

	Group 2016 RM	Group 2015 RM
Raw materials	38,065	55,510
Finished goods	248,522	476,266
	286,587	531,776
Recognised in profit or loss:		
Inventories recognised as cost of sales	377,590	2,476,928
Inventories written off	–	89,668
Reversal of inventories written off	52,196	–

The reversal of inventories written off was made during the financial year when the related inventories were sold above their carrying amounts.

10. TRADE RECEIVABLES

	Group 2016 RM	Group 2015 RM
Trade receivables	298,880	517,353
Less: Acccumulated impairment losses	(145,459)	–
	153,421	517,353

Trade receivables are non-interest bearing and are generally on 30 to 60 days (2015: 30 to 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

10. TRADE RECEIVABLES (CONT'D)

The Group's credit exposures are concentrated mainly on 5 (2015: 5) debtors, which accounted for 90% (2015: 90%) of the total trade receivables at the end of the reporting period.

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

	Group	
	2016 RM	2015 RM
At 1 January	–	91,170
Impairment losses recognised	145,459	–
Written off	–	(91,170)
At 31 December	145,459	–

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

	Group	
	2016 RM	2015 RM
Neither past due nor impaired	132,554	210,468
Past due not impaired:		
Less than 30 days	20,655	66,426
31 to 60 days	212	38,000
More than 60 days	–	202,459
	20,867	306,885
	153,421	517,353
Impaired	145,459	–
	298,880	517,353

<u>Trade receivables that are neither past due nor impaired</u>

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

<u>Trade receivables that are past due but not impaired</u>

As at 31 December 2016, trade receivables of RM20,867 (2015: RM306,885) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

<u>Trade receivables that are impaired</u>

The trade receivables of the Group that are individually assessed to be impaired amounting to RM145,459 (2015: Nil), related to a customer that is in financial difficulties, has disputed on the billings. These balances are expected to be recovered through the debts recovery process.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

11. OTHER RECEIVABLES

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Other receivables	279,957	81,168	1,448	–
Deposits	245,506	1,679,001	146,766	1,554,811
Prepayments	168,308	116,927	86,722	79,520
	693,771	1,877,096	234,936	1,634,331

Included in deposits of the Group and the Company amounting to Nil (2015: RM1,409,800) was paid for the acquisition of investment properties amounted to RM2,500,000 as disclosed in Note 5 to the financial statements.

12. 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.

13. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group are amounted to RM16,620 (2015: RM241,954) of which Nil (2015: RM241,954) is pledged to licensed banks as security for credit facility granted to the subsidiary company.

The interest rate and maturities of deposits of the Group at the end of the reporting period are 1.00% (2015: 3.12%) and 30 days (2015: 365 days) respectively.

14. CASH AND BANK BALANCES

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

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
United States Dollar	17,318	785,249	2,416	574,347
Australian Dollar	101,720	2,146	1,653	2,146
Singapore Dollar	596	32,994	–	–
Myanmar Kyat	475	–	–	–
Chinese Renminbi	1,174	2,062	–	–

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

15. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2016 Units	2015 Units	2016 RM	2015 RM
Ordinary shares of RM0.10 each				
Authorised				
At 1 January/ 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	281,122,800	138,956,400	28,112,280	13,895,640
Right issue with free warrants	–	138,956,400	–	13,895,640
Exercised of SIS options	2,600,000	3,210,000	260,000	321,000
At 31 December	283,722,800	281,122,800	28,372,280	28,112,280

During the financial year, the Company increased its issued and paid-up share capital from RM28,112,280 to RM28,372,280 by way of the issuance of 2,600,000 new ordinary shares of RM0.10 each through the exercise of Share Issuance Scheme ("SIS") Options at issuance price of RM0.183 per ordinary share for cash consideration of RM475,800.

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

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.

16. RESERVES

		Group and Company			
		Number of Shares		Amount	
	Note	2016 Units	2015 Units	2016 RM	2015 RM
Share premium	(a)	4,410,545	4,013,140	4,410,545	4,013,140
Warrant reserve	(b)	20,982,416	20,982,416	20,982,416	20,982,416
Other reserve	(c)	(20,982,416)	(20,982,416)	(20,982,416)	(20,982,416)
Share Issuance Scheme Option reserve	(d)	1,741,214	1,286,217	1,741,214	1,286,217
Foreign currency translation reserve	(e)	(8,937)	(2,496)	–	–
Accumulated losses		(24,472,039)	(18,231,528)	(9,679,842)	(8,148,104)
		(18,329,217)	(12,934,667)	(3,528,083)	(2,848,747)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

16. RESERVES (CONT'D)

(a) Share premium

	Group and Company	
	2016	**2015**
	RM	**RM**
At 1 January	4,013,140	4,081,846
Add: Shares options granted under SIS	397,405	498,513
Less: Share issuance expenses	–	(567,219)
At 31 December	4,410,545	4,013,140

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.

(b) Warrant reserve

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

During the previous 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 2016, the total number of Warrants that remain unexercised were 138,956,400 (2015: 138,956,400).

(c) Other reserve

This represents fair value allocated to the detachable warrants issued in conjunction with rights issue refer to Note 16(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 28.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

16. RESERVES (CONT'D)

(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.

17. FINANCE LEASE LIABILITIES

	Group and Company	
	2016 RM	2015 RM
Minimum lease payments		
Within one year	126,312	39,780
Later than one year and not later than two years	96,477	39,780
Later than two years and not later than five years	50,465	9,945
	273,254	89,505
Less: Future finance charges	(16,628)	(6,436)
Present value of minimum lease payments	256,626	83,069
Present value of minimum lease payments		
Within one year	115,373	35,387
Later than one year and not later than two years	91,611	37,839
Later than two years and not later than five years	49,642	9,843
	256,626	83,069
Analysed as:		
Repayable within twelve months	115,373	35,387
Repayable after twelve months	141,253	47,682
	256,626	83,069

The finance lease liabilities are secured by a charge over the leased assets as disclosed in Note 4(b) to the financial statements. The interest rate for the leases is ranging from 2.72% to 3.50% (2015: 3.50%) per annum.

18. TRADE PAYABLES

Credit terms of trade payables of the Group and Company ranged from 30 to 60 days (2015: 30 to 60 days) depending on the terms of the contracts.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

19. OTHER PAYABLES

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Other payables	259,491	204,508	146,854	112,373
Accruals	308,494	665,304	87,922	302,014
Deposits received	34,500	34,500	–	–
Deferred revenue	789,882	672,926	–	–
	1,392,367	1,577,238	234,776	414,387

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

20. AMOUNT DUE TO ASSOCIATE COMPANY

The amount due to associate company is unsecured, non-interest bearing and repayable on demand. The amount arose from non-trade transactions.

21. REVENUE

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Rendering of services	4,052,037	6,614,279	–	–
Sales of goods	606,714	3,458,378	–	–
Management fees	–	–	2,760,000	960,000
	4,658,751	10,072,657	2,760,000	960,000

22. FINANCE COSTS

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Interest expenses on:				
Finance leases	9,392	9,473	9,392	9,473
Term loan	–	29,918	–	–
Others	–	206	–	206
	9,392	39,597	9,392	9,679

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

23. LOSS BEFORE TAX

Loss before tax is derived after charging/(crediting):

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Auditors' remuneration:				
- statutory	49,800	42,000	20,000	17,000
- others	–	3,000	–	3,000
Bad debts written off	–	1,289	–	–
Non-Executive Directors remuneration:				
- Fees	162,000	221,194	162,000	221,194
- Others	300	–	300	–
Depreciation of investment properties	88,473	40,640	47,833	–
Depreciation of property, plant and equipment	836,461	390,670	536,565	150,721
Goodwill written off	–	413,618	–	–
Impairment on trade receivables	145,459	–	–	–
Inventories written off	–	89,668	–	–
Property, plant and equipment written off	30,422	–	–	–
Rental of equipment	4,258	1,001,125	2,400	–
Rental of premises	698,559	387,800	276,975	65,629
Rental of car park	–	5,400	–	–
Reversal of property, plant and equipment	2,521	–	2,521	–
Share-based payment	1,247,904	–	1,247,904	–
Bad debts recovered	–	(20,216)	–	(3,216)
(Gain)/Loss on disposal of property, plant and equipment	(21,489)	11,126	–	11,126
(Gain)/Loss in foreign exchange:				
- realised	(7,664)	18,018	–	–
- unrealised	(124,748)	(84,606)	(80,024)	(33,825)
Interest income	(136,520)	(228,977)	(117,342)	(213,923)
Reversal of inventories written off	(52,196)	–	–	–
Waiver of amount due to other payables	(534)	–	–	–

24. TAXATION

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Tax expenses recognised in profit or loss				
Current tax provision	–	29,000	–	–
(Over)/Under provision in prior years	(1,558)	88	–	–
	(1,558)	29,088	–	–

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (Cont'd)

24. TAXATION (CONT'D)

Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Loss before tax	(6,853,371)	(5,149,066)	(2,143,040)	(3,786,055)
At Malaysian statutory tax rate of 24% (2015: 25%)	(1,644,809)	(1,287,270)	(514,330)	(946,510)
Effect of different tax rate in other jurisdiction	(49,221)	–	–	–
Income not subject to tax	(20,118)	(3,330)	(19,206)	–
Expenses not deductible for tax purposes	867,066	656,290	467,010	490,860
Deferred tax assets not recognised	847,082	1,035,190	66,526	509,130
Utilisation of previously unrecognised deferred tax assets	–	(371,880)	–	(53,480)
(Over)/Under provision of taxation in prior years	(1,558)	88	–	–
Tax expense for the financial year	(1,558)	29,088	–	–

Tax savings during the financial year arising from:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Utilisation of previously unrecognised tax losses	–	332,780	–	53,480

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

24. TAXATION (CONT'D)

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Unutilised capital allowances	816,669	418,656	412,278	151,200
Unutilised tax losses	12,289,030	9,776,039	6,444,771	6,352,100
	13,105,699	10,194,695	6,857,049	6,503,300

25. LOSS PER SHARE

(a) Basic loss per share

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

	Group	
	2016 RM	**2015 RM**
Loss attributable to owners of the parent	(6,851,813)	(5,178,154)
Weighted average number of ordinary shares in issue		
Issued ordinary shares at 1 January	279,270,782	138,956,400
Effect of ordinary shares issued during the financial year	2,206,936	140,314,382
Weighted average number of ordinary shares at 31 December	281,477,718	279,270,782
Basic loss per share (in sen)	(2.43)	(1.85)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

25. 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 attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares as follows:

	Group	
	2016 **RM**	**2015** **RM**
Loss attributable to ordinary shareholders	(6,851,813)	(5,178,154)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	281,477,718	279,270,782
Effect of share options on issue	–	–
Effect of conversion of warrants	–	–
Weighted average number of ordinary shares at 31 December (diluted)	281,477,718	279,270,782
Diluted loss per share (in sen)	(2.43)	(1.85)

26. DEFERRED TAX

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

	Group		Company	
	2016 **RM**	**2015** **RM**	**2016** **RM**	**2015** **RM**
Deferred tax liability	34,960	98,080	18,350	49,300
Deferred tax assets	(34,960)	(98,080)	(18,350)	(49,300)
	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

26. DEFERRED TAX (CONT'D)

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

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Deferred tax liability:				
Accelerated capital allowances				
At 1 January	98,080	29,410	49,300	7,400
Recognised in profit or loss	(63,120)	68,670	(30,950)	41,900
At 31 December	34,960	98,080	18,350	49,300
Deferred tax assets:				
Unutilised capital allowances				
At 1 January	91,410	29,410	49,300	7,400
Recognised in profit or loss	(58,942)	62,000	(30,950)	41,900
At 31 December	32,468	91,410	18,350	49,300
Unutilised tax losses				
At 1 January	6,670	6,670	–	–
Recognised in profit or loss	(4,178)	–	–	–
At 31 December	2,492	6,670	–	–
	34,960	98,080	18,350	49,300

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

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Unutilised capital allowances	701,736	226,560	335,821	–
Unutilised tax losses	12,713,953	9,878,580	6,444,771	6,503,399
Deductible temporary difference	219,000	–	–	–
	13,634,689	10,105,140	6,780,592	6,503,399

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 31 DECEMBER 2016 (Cont'd)

27. STAFF COSTS

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Fee	283,158	23,657	–	–
Salaries and allowances	4,402,991	5,040,029	1,643,285	2,078,987
Defined contribution plans	476,982	555,588	193,339	243,713
Social security costs	37,582	40,543	11,170	12,047
Share-based payment	1,247,904	1,518,300	1,247,904	1,518,300
Other benefits	168,749	174,308	111,837	117,176
	6,617,366	7,352,425	3,207,535	3,970,223

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 as below:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Executive Directors				
Fee	283,158	23,657	–	–
Salaries and allowances	752,100	720,000	527,100	720,000
Defined contribution plans	86,400	86,400	59,400	86,400
Social security costs	1,484	1,240	897	1,240
	1,123,142	831,297	587,397	807,640

28. 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;

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

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

The salient features of the SIS Options are as follows: (Cont'd)

(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:

			Number of options over ordinary shares of RM0.10 each		
Date of offer	**Exercise price**	**At 1.1.2016**	**Exercised**	**Lapsed**	**At 31.12.2016**
24 March 2015	0.183	66,790,000	(2,600,000)	(11,124,000)	53,066,000

Number of share options exercisable as at 31 December 2016 is 25,066,000 (2015: 17,790,000). The weighted average share price at the date of exercise for the financial year was RM0.183 (2015: RM0.24) per ordinary share.

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

SIS Options	**Weighted average exercise price**		**Exercise period**
	2016 RM	**2015 RM**	
24 March 2015	0.183	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:

	2016 RM	**2015 RM**
Fair value at grant date:		
24 March 2015	0.1553	0.1553
Weighted average share price	0.212	0.212
Weighted average exercise price	0.183	0.183
Expected volatility (%)	89.84	89.84
Expected life (years)	5 years	5 years
Risk free rate (%)	3.625	3.625
Expected dividend yield (%)	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

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

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.

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:

	2016 RM	2015 RM
Group		
Transaction with a Director		
Rental of premises paid/payable	–	22,615
Transactions with a company in which a Directors has substantial financial interests		
Rental income received/recoverable	48,000	44,000
Rental of premises paid/payable	464,883	195,214
Company		
Transactions with subsidiary companies		
Management fee	2,760,000	960,000
Outsource fee	31,387	–
Transactions with a company in which a Director of the Company has substantial financial interests		
Rental of premises paid/payable	276,975	42,544

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	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Salaries, fees and other emoluments	1,606,955	1,676,791	1,078,797	1,495,673
Share-based payment	9,250	155,445	9,250	155,445
Social security costs	3,437	–	2,712	–
Defined contributions plan	135,539	167,136	106,089	152,640
	1,755,181	1,999,372	1,196,848	1,803,758

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 year.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (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
2016					
Revenue					
External customers	2,452,542	2,206,209	–	–	4,658,751
Inter segment	40,280	33	2,760,000	(2,800,313)	–
Total revenue	2,492,822	2,206,242	2,760,000	(2,800,313)	4,658,751
Segment results					
Interest income	9,649	9,529	117,342	–	136,520
Finance costs	–	–	(9,392)	–	(9,392)
Depreciation	(94,461)	(246,075)	(584,398)	–	(924,934)
Other non-cash item	(127,102)	17,968	(1,115,684)	–	(1,224,818)
Segments loss before tax	(709,093)	(3,992,820)	(2,143,040)	(8,418)	(6,853,371)
Assets					
Addition to property, plant and equipment	66,888	46,414	623,760	–	737,062
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)	(1,484,475)	–	(1,949,395)
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

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:

	Group 2016 RM	Group 2015 RM
Bad debts written off	–	(1,289)
Gain/(Loss) on disposal of property, plant and equipment	21,489	(11,126)
Goodwill written off	–	(413,618)
Impairment on trade receivables	(145,459)	–
Inventories written off	–	(89,668)
Property, plant and equipment written off	(30,422)	–
Reversal of inventories written off	52,196	–
Share-base payment	(1,247,904)	(1,518,300)
Unrealised gain on foreign exchange	124,748	84,606
Waiver of amount due to other payable	534	–
	(1,224,818)	(1,949,395)

(c) Geographic information

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

	Group 2016 RM	Group 2015 RM
Malaysia	2,444,017	7,788,138
Cambodia	677,610	552,702
USA	562,050	544,899
People Republic of China	274,924	387,306
Others	700,150	799,612
	4,658,751	10,072,657

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (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	Other financial liabilities meaured at amortised cost RM	Total RM
Group			
2016			
Financial assets			
Trade receivables	153,421	–	153,421
Other receivables	525,463	–	525,463
Fixed deposits with licensed banks	16,620	–	16,620
Cash and bank balances	5,176,527	–	5,176,527
	5,872,031	–	5,872,031
Financial liabilities			
Trade payables	–	42,236	42,236
Other payables	–	567,985	567,985
Amount due to associate company	–	2,779	2,779
Finance lease liabilities	–	256,626	256,626
	–	869,626	869,626
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 liabilities	–	83,069	83,069
	–	1,455,930	1,455,930

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

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

	Loans and receivables RM	Other financial liabilities meaured at amortised cost RM	Total RM
Company			
2016			
Financial assets			
Other receivables	148,214	–	148,214
Cash and bank balances	3,809,715	–	3,809,715
	3,957,929	–	3,957,929
Financial liabilities			
Other payables	–	234,776	234,776
Amount due to subsidiary companies	–	838,929	838,929
Finance lease liabilities	–	256,626	256,626
	–	1,330,331	1,330,331
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 liabilities	–	83,069	83,069
	–	1,297,456	1,297,456

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

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.

The Group's has no significant concentration to credit risk except as disclosed in Note 10 to the financial statement. 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 31 DECEMBER 2016 (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					
2016					
Non-derivative financial liabilities					
Trade payables	42,236	–	–	42,236	42,236
Other payables	567,985	–	–	567,985	1,392,367
Amount due to associate company	2,779	–	–	2,779	2,779
Finance lease liabilities	126,312	96,477	50,465	273,254	256,626
	739,312	96,477	50,465	886,254	1,694,008
2015					
Non-derivative financial liabilities					
Trade payables	468,549	–	–	468,549	468,549
Other payables	904,312	–	–	904,312	1,577,238
Finance lease liabilities	39,780	39,780	9,945	89,505	83,069
	1,412,641	39,780	9,945	1,462,366	2,128,856

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (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					
2016					
Non-derivative financial liabilities					
Other payables	234,776	–	–	234,776	234,776
Amount due to subsidiary companies	838,929	–	–	838,929	838,929
Finance lease liabilities	126,312	96,477	50,465	273,254	256,626
	1,200,017	96,477	50,465	1,346,959	1,330,331
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 liabilities	39,780	39,780	9,945	89,505	83,069
	1,254,167	39,780	9,945	1,303,892	1,297,456

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risks

(a) 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), Myanmar Dollar (KYAT) 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	KYAT RM	RMB RM	Total RM
Group						
2016						
Cash and bank balances	17,318	101,720	596	475	1,174	121,283
Trade receivables	13,050	–	–	–	–	13,050
	30,368	101,720	596	475	1,174	134,333
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
Company						
2016						
Cash and bank balances	2,416	1,653	–	–	–	4,069
2015						
Cash and bank balances	574,347	2,146	–	–	–	576,493

31. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risks (Cont'd)

(a) 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, KYAT and RMB exchange rates against RM, with all other variables held constant.

	Change in currency rate RM	2016 Effect on loss before tax RM	Change in currency rate RM	2015 Effect on loss before tax RM
Group				
USD	Strengthened 1%	304	Strengthened 1%	8,919
	Weakened 1%	(304)	Weakened 1%	(8,919)
AUD	Strengthened 1%	1,017	Strengthened 1%	21
	Weakened 1%	(1,017)	Weakened 1%	(21)
SGD	Strengthened 1%	6	Strengthened 1%	330
	Weakened 1%	(6)	Weakened 1%	(330)
KYAT	Strengthened 1%	5	Strengthened 1%	-
	Weakened 1%	(5)	Weakened 1%	-
RMB	Strengthened 1%	12	Strengthened 1%	21
	Weakened 1%	(12)	Weakened 1%	(21)
Company				
USD	Strengthened 1%	24	Strengthened 1%	5,743
	Weakened 1%	(24)	Weakened 1%	(5,743)
AUD	Strengthened 1%	17	Strengthened 1%	21
	Weakened 1%	(17)	Weakened 1%	(21)

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (Cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risks (Cont'd)

(b) 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	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Fixed rate instruments				
Financial assets	16,620	241,954	–	–
Financial liabilities	(256,626)	(83,069)	(256,626)	(83,069)

Interest rate risk sensitivity analysis

<u>Fair value sensitivity analysis for fixed rate instruments</u>

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 value of financial instruments

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

It was not practicable to estimate the fair value due of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value of financial instruments

The table below analyses financial instruments those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value			
	Level 1 RM	Level 2 RM	Level 3 RM	Carrying amount RM
Group and Company				
2016				
Financial liabilities (Non-current)				
Finance lease liabilities	–	132,485	–	141,253
Group and Company				
2015				
Financial liabilities (Non-current)				
Finance lease liabilities	–	46,105	–	47,682

(i) Policy on transfer between levels

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

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

<u>Non-derivative financial instruments</u>

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

32. COMMITMENT

	Group and Company 2016 RM	2015 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Total loans and borrowings	256,626	83,069	256,626	83,069
Less: Cash and cash equivalents	(5,193,147)	(11,475,892)	(3,809,715)	(8,574,091)
Excess funds	(4,936,521)	(11,392,823)	(3,553,089)	(8,491,022)
Shareholders' equity	10,043,063	15,177,613	24,844,197	25,263,533
Gearing ratio	*	*	*	*

* Gearing ratio not applicable to the Group and the Company as the cash and cash equivalents as at 31 December 2016 and 31 December 2015 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

34. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) Proposed listing of several subsidiaries of the holding company, AppAsia Berhad on the Australian Stock Exchange ("ASX")

On 23 November 2016, the Company, AppAsia Berhad ("AppAsia") had announced to propose listing the Company together with three fellow wholly-owned subsidiary companies ,namely AppAsia Studio Sdn Bhd "ASSB", AppAsia Mall Sdn Bhd ("AMSB"), AppAsia International Sdn Bhd ("ALSB") (collectively referred to as "**Subsidiaries**") on the Australian Securities Exchange ("ASX") via an investment holding company to be incorporated in Australia.

On 13 March 2017, AppAsia entered into Share Purchase Agreement ("SPA 1") with AppAsia Limited ("AL") to dispose the subsidiary companies ASSB, AMSB and AISB to AL for a sale consideration of AUD204,478 (equivalent to RM695,225), AUD225,388 (equivalent to RM766,319) and AUD 113,749 (equivalent to RM386,747) respectively, to be satisfied via the issuance of new ordinary shares in AL to AppAsia ("Proposed Disposal").

On the same date, the ALSB entered into a share purchase agreement ("SPA 2") with AL to dispose of its wholly-owned subsidiary company, AppAsia International Pty Ltd ("AIPL") to AL for a sale consideration of AUD115,331 (equivalent to RM392,125) to be satisfied via the issuance of new ordinary shares in AL to AppAsia ("Proposed AIPL Disposal").

After the Proposals, the subsidiary companies and AIPL will become a wholly-owned subsidiary company of AL while AppAsia becomes holding company of AL.

The Proposal are subject to the following approvals being obtained:

(i) the shareholders of AppAsia for the Proposed Listing at an extraordinary general meeting to be convened;

(ii) ASX; and

(iii) any other relevant authorities or parties, if required.

The Company is currently in the midst of procuring all the other approvals required for the Proposal from the relevant parties/ regulatory authorities.

(b) Conversion of Warrants to ordinary shares

On 14 February 2017, the total of 110,000 units of Warrants have been converted to ordinary shares at exercise price of RM0.13 each.

On 21 February 2017, the total of 176,000 units of Warrants have been converted to ordinary shares at exercise price of RM0.13 each.

On 23 February 2017, the total of 115,000 units of Warrants have been converted to ordinary shares at exercise price of RM0.13 each.

On 1 March 2017, the total of 444,000 units of Warrants have been converted to ordinary shares at exercise price of RM0.13 each.

On 9 March 2017, the total of 286,000 units of Warrants have been converted to ordinary shares at exercise price of RM0.13 each.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

34. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D)

(b) Conversion of Warrants to ordinary shares (Cont'd)

On 14 March 2017, the total of 295,000 units of Warrants have been converted to ordinary shares at exercise price of RM0.13 each.

On 21 March 2017, the total of 1,290,000 units of Warrants have been converted to ordinary shares at exercise price of RM0.13 each.

On 23 March 2017, the total of 550,000 units of Warrants have been converted to ordinary shares at exercise price of RM0.13 each.

35. 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

35. MATERIAL LITIGATION (CONT'D)

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.

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:

<u>Against Xconnect:</u>

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

<u>Against Badaruddin:</u>

(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.

35. MATERIAL LITIGATION (CONT'D)

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.

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.

The Company had on 6 May 2016 received a letter from the Company's Solicitors informing that the Appellant's appeal has been fixed for hearing on 28 July 2016.

The Company had on 22 August 2016 received a letter from the Company's Solicitors informing that the Appellant's appeal has been fixed for decision on 5 September 2016.

On the 5 September 2016, the appeal of Badaruddin has been dismissed by the High Court. The Company shall proceed to enforce the judgment by issuing a Bankruptcy Notice against Badaruddin to demand for payment of the judgment sum.

The Company had on 13 October 2016 received a letter from the Company's Solicitors informing that bankruptcy proceedings has been fixed for case management on 28 February 2017 pending service of the bankruptcy notice on Judgment Debtor.

The Company had on 20 February 2017 received a letter from the Company's Solicitors informing that the hearing has been fixed 22 March 2017 pending service of the Creditor's Petition on the Judgment Debtor.

The Company had on 22 March 2017 received a letter from the Company's Solicitors informing that the hearing of the Creditor's Petition at the Kuala Lumpur High Court has been postponed to 24 April 2017 to enable the Company's Solicitors to attend to the Creditors' Petition by way of substituted service at the last known address of the Judgment Debtor.

EVSB's financial exposure in the event of the dismissal of the bankruptcy proceeding which in the opinion of the solicitors is unlikely, will be up to the limit of cost of the proceedings and solicitors' cost and accordingly, no provision for any liability has been made in these financial statements.

36. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 13 April 2017.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (Cont'd)

37. 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**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Total accumulated losses of the Company and its subsidiary companies:				
- realised	(20,509,953)	(14,246,136)	(9,759,866)	(8,181,929)
- unrealised	124,748	84,606	80,024	33,825
	(20,385,205)	(14,161,530)	(9,679,842)	(8,148,104)
Total accumulated losses from associate company				
- realised	(8,418)	–	–	–
	(8,418)	–	–	–
	(20,393,623)	(14,161,530)	(9,679,842)	(8,148,104)
Less: Consolidation adjustments	(4,078,416)	(4,069,998)	–	–
Total accumulated losses	(24,472,039)	(18,231,528)	(9,679,842)	(8,148,104)

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.

LIST OF PROPERTIES

No.	Title Details/ Postal Address	Description of property / Existing use	Land area / Built-up area sq f	Approximate age of building (Years)	Tenure	Audited net book value as at 31.12.2016 RM
1.	Prima Square 13-1, Block I Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan	Office Lot	1,282	21 years	Freehold	235,600
2.	Prima Square 13-2, Block I Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan	Office Lot	1,487	21 years	Freehold	155,000
3.	Prima Square 13-3, Block I Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan	Office Lot	1,480	21 years	Freehold	155,000
4.	Prima Square 13-4, Block I Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan	Office Lot	1,480	21 years	Freehold	155,000
5.	Prima Square 13-5, Block I Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Darul Ehsan	Office Lot	1,487	21 years	Freehold	155,000
6.	Subang Business Centre 5-5, Jalan USJ 9/5Q, Subang Business Centre, 47620 UEP Subang Jaya, Selangor Darul Ehsan	Office Lot	1,726	22 years	Freehold	195,600
7.	Subang Business Centre 7-5, Jalan USJ 9/5Q, Subang Business Centre, 47620 UEP Subang Jaya, Selangor Darul Ehsan	Office Lot	1,726	22 years	Freehold	195,600
8.	No. 101, 101A, 101B & 101C, Persiaran Pegaga, Taman Bayu Perdana, 41200 Klang, Selangor	Office Lot	1,496	21 years	Freehold	1,276,167
9.	No. 103, 103A, 103B & 103C, Persiaran Pegaga, Taman Bayu Perdana, 41200 Klang, Selangor	Office Lot	1,496	21 years	Freehold	1,176,000

ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2017

SHARE CAPITAL

Total Number of Issued Shares	:	286,988,800
Issued Share Capital	:	RM28,796,860.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2017

Size of Holding	No. of shareholders	% of shareholders	No. of Shares	% of shares
1 – 99	14	0.78	330	0.00
100 - 1,000	236	13.16	88,489	0.03
1,001 - 10,000	556	30.99	4,017,781	1.40
10,001 - 100,000	780	43.48	31,320,600	10.91
100,001 - 14,349,439*	205	11.43	183,590,800	63.97
14,349,440 AND ABOVE **	3	0.17	67,970,800	23.68
Total	1,794	100.00	286,988,800	100.00

Remark :
* - Less than 5% of Issued Shares
** - 5% and above of Issued Shares

SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE) AS AT 31 MARCH 2017

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Richmond Virginia Tobacco Sdn. Bhd.	30,000,000	10.45	–	–
2.	Toh Hong Chye	30,002,900	10.45	42,000,000*	14.63*
3	Satvinder Singh	17,821,100	6.21	–	–

* Deemed Interest through Richmond Virginia Tobacco Sdn. Bhd. and Manjung Untung Sdn. Bhd. by virtue of Section 8 of the Companies Act, 2016.

DIRECTORS' INTERESTS IN SHARES AS AT 31 MARCH 2017

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	–	–	12,000,000*	4.18*
2	Toh Hong Chye	30,002,900	10.45	42,000,000**	14.63**
3	Wong Ngai Peow	403,000	0.14	–	–
4	Low Kim Leng	1,000,000	0.35	–	–
5	Ng Kok Wah	–	–	–	–

* Deemed interest through Manjung Untung Sdn. Bhd. by virtue of Section 8 of the Companies Act, 2016.
** Deemed Interest through Richmond Virginia Tobacco Sdn. Bhd. and Manjung Untung Sdn. Bhd. by virtue of Section 8 of the Companies Act, 2016.

ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2017 (Cont'd)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2017)

No.	Name of Shareholders	No. of Shares	%
1	RHB Capital Nominees (Tempatan) Sdn. Bhd. For Richmond Virginia Tobacco Sdn. Bhd.	30,000,000	10.45
2	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Toh Hong Chye	20,149,700	7.02
3	JF APEX Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Satvinder Singh (Margin)	17,821,100	6.21
4	Benito Aloria Yap	12,725,000	4.43
5	Mohd Nazifuddin Bin Mohd Najib	12,600,000	4.39
6	Manjung Untung Sdn. Bhd.	12,000,000	4.18
7	Ho Yi Jing	11,328,900	3.95
8	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ong King Seng	11,000,000	3.83
9	RHB Nominees (Tempatan) Sdn. Bhd. For Toh Hong Chye	9,853,200	3.43
10	Dato' Tan Boon Jin	7,975,300	2.78
11	Chen, Rui	6,942,700	2.42
12	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Liaw Tze Shung @ Richard (PB)	5,287,000	1.84
13	RHB Capital Nominees (Tempatan) Sdn. Bhd. For Gemas Lestari Sdn. Bhd.	3,748,600	1.31
14	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB Commerce Trustee Berhad for Hong Leong Strategic Opportunity Fund	3,731,000	1.30
15	MAYBANK Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Vincent Tan Seng Chye	3,420,000	1.19

ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2017 (Cont'd)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2017) (Cont'd)

No.	Name of Shareholders	No. of Shares	%
16	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Strategic Fund	3,200,700	1.12
17	RHB Capital Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Lim Hun Swee (CEB)	3,000,000	1.05
18	Yap Ping Tiong	2,700,000	0.94
19	SJ SEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Sai Kim	2,000,000	0.70
20	Tan Kwang Kui	2,000,000	0.70
21	Toh Chee Seng	2,000,000	0.70
22	Yap Yoon Sing	2,000,000	0.70
23	CITIGROUP Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Chu Chin (471507)	1,916,000	0.67
24	Chiam Siong Keng	1,885,800	0.66
25	Tan Kok Sing	1,803,000	0.63
26	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Beng De @ Gho Beng De (CCTS)	1,650,000	0.57
27	Shu Ling Ling	1,300,000	0.45
28	Teoh Tek Siong	1,200,000	0.42
29	Gemas Lestari Sdn. Bhd.	1,074,500	0.37
30	AFFIN Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Woo Chee San	1,042,100	0.36
	Total	**197,354,600**	**68.77**

ANALYSIS OF WARRANTS HOLDINGS AS AT 31 MARCH 2017

Issued Size	:	138,956,400 free detachable warrants issued pursuant to the Renounceable Rights Issue with Warrants exercise
Number of Warrants Holders	:	1,087

DISTRIBUTION OF WARRANTS HOLDINGS AS AT 31 MARCH 2017

Size of Holding	No. of shareholders	% of shareholders	No. of Shares	% of shares
1 – 99	1	0.09	95	0.00
100 - 1,000	20	1.84	13,705	0.01
1,001 - 10,000	195	17.94	1,527,900	1.13
10,001 - 100,000	646	59.43	29,620,300	21.83
100,001 - 6,784,519*	224	20.61	97,690,300	71.99
6,784,520 AND ABOVE **	1	0.09	6,838,100	5.04
Total	1,087	100.00	135,690,400	100.00

Remark :
* - Less than 5% of Issued Warrants
** - 5% and above of Issued Warrants

DIRECTORS' INTERESTS IN WARRANTS AS AT 31 MARCH 2017

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	–	–	–	–
2	Toh Hong Chye	–	–	–	–
3	Wong Ngai Peow	1,500	0.001	–	–
4	Low Kim Leng	–	–	–	–
5	Ng Kok Wah	–	–	–	–

SUBSTANTIAL WARRANTS HOLDERS (5% AND ABOVE) AS AT 31 MARCH 2017

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Ooi Han Ewe	6,838,100	5.04	–	–

ANALYSIS OF WARRANTS HOLDINGS AS AT 31 MARCH 2017 (Cont'd)

LIST OF TOP 30 LARGEST WARRANTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2017)

No.	Name of Warrants Holders	No. of Warrants	%
1	Ooi Han Ewe	6,838,100	5.04
2	Mohd Nazifuddin Bin Mohd Najib	6,000,000	4.42
3	Foo Seck Yan	2,063,000	1.52
4	Tey Swee Guat	1,977,100	1.46
5	Lim Chee Seong	1,900,400	1.40
6	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Beng De @ Gho Beng De (CCTS)	1,836,100	1.35
7	MAYBANK Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Vincent Tan Seng Chye	1,710,000	1.26
8	Abdul Rahman Bin Ibrahim	1,700,000	1.25
9	Tan Kok Sing	1,700,000	1.25
10	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mohd Noor Zaimi Bin Zainol (029)	1,626,900	1.20
11	Wong Tak Keong	1,538,400	1.13
12	Ng Kim Chau	1,520,000	1.12
13	Lau Yong Ying	1,500,000	1.11
14	Lim Soon Guan	1,400,000	1.03
15	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Cheah Song Kang @ Chiah Jee Ba (CEB)	1,300,000	0.96

ANALYSIS OF WARRANTS HOLDINGS AS AT 31 MARCH 2017 (Cont'd)

No.	Name of Warrants Holders	No. of Warrants	%
16	Lim Sze Hock	1,200,000	0.88
17	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Tak Keong	1,100,000	0.81
18	Soo Tong Hui	1,100,000	0.81
19	Phua Lai San	1,089,300	0.80
20	Lim Hung Thiam	1,086,000	0.80
21	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yap Ping Tiong (6000453)	1,080,000	0.80
22	Tan Chye Lai	1,035,200	0.76
23	Tie Pek Ha @ Tie Pik Ha	1,033,000	0.76
24	CIMB Group Nominees (Tempatan) Sdn. Bhd. Exempt An for DBS Bank Ltd (SFS-PB)	1,000,000	0.74
25	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Wat Yen @ Lui Wat Yen	1,000,000	0.74
26	CITIGROUP Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Chu Chin (471507)	958,000	0.71
27	Lim Yau Chong	950,000	0.70
28	Ng Li-Shing	900,000	0.66
29	Tiew Siow Ling	900,000	0.66
30	Ong Swee Seng	840,000	0.62
	Total	**49,881,500**	**36.75**

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth (13th) Annual General Meeting of AppAsia Berhad ("AppAsia" or "the Company") will be held at Gallery 1, Level 1 Concorde Hotel Kuala Lumpur, No 2 Jalan Sultan Ismail, 50200 Kuala Lumpur on Friday, 19 May 2017 at 11.00 a.m. or at any adjournment thereof to transact the following business:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note A of the Explanatory Notes on Ordinary Business)**

2. To approve the payment of Directors' fees of RM 445,158 in respect of the financial year ended 31 December 2016. **Resolution 1**

3. To approve the payment of Directors' fees and other benefits payable of up to RM 445,158 to the directors of the Company for the financial year ending 31 December 2017. **Resolution 2**

4. To re-elect the following Directors who are retiring in accordance with Article 84 of the Articles of Association of the Company:-

   (i) Toh Hong Chye **Resolution 3**
   (ii) Ng Kok Wah **Resolution 4**

5. To re-appoint Messrs. UHY as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 5**

As Special Business:

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

6. **Authority to Allot Shares Pursuant to Section 75 of the Companies Act, 2016** **Resolution 6**

   THAT subject always to the Companies Act, 2016 ("the Act"), the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any other governmental / regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Section 75 of the Act, to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING (Cont'd)

7. **Proposed Renewal of Share Buy-Back Authority for the Purchase of its own Ordinary Share** **Resolution 7**

THAT subject to the compliance with Section 127 of the Companies Act, 2016 and all other applicable laws, rules and regulations, approval be and is hereby given to the Company, to purchase such amount of ordinary shares each in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased and held pursuant to this resolution does not exceed 10% of the existing total number of issued shares in the ordinary share capital of the Company including the shares previously purchased and retained as Treasury Shares (if any) and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, upon such terms and conditions as set out in the Statement to Shareholders dated 27 April 2017.

THAT such authority shall commence immediately upon the passing of this Ordinary Resolution and until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiry of the period within which the next AGM is required by law to be held unless revoked or varied by Ordinary Resolution in the general meeting of the Company but so as not to prejudice the completion of a purchase made before such expiry date, in any event in accordance with the provisions of Ace Market Listing Requirements of Bursa Securities and any other relevant authorities.

THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares in the Company so purchased by the Company as Treasury Shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends in such manner as may be permitted and prescribed by the provisions of the Ace Market Listing Requirements of Bursa Securities and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company."

8. To transact any other business of the Company for which due notice shall have been given.

By order of the Board,

Tan Tong Lang (MAICSA 7045482)
Chong Voon Wah (MAICSA 7055003)
Company Secretaries

Kuala Lumpur
27 April 2017

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING (Cont'd)

Notes:

A. This Agenda item is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 and the Company's Articles of Association provide that the Audited Financial Statements are to be laid in the general meeting. Hence, it is not put forward for voting.

1. A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead and that where a member appoints two (2) proxies, he/she shall specify the proportion of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company.

2. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. Where a member of the Company is an exempt authorised nominees which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. Where the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's Seal or under the hand of an officer or an attorney duly authorised.

6. The instrument appointing a proxy must be deposited at Boardroom Corporate Services (KL) Sdn Bhd, Share Registrar office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding the meeting, i.e. on or before 11.00 a.m., Wednesday, 17 May 2017 or at any adjournment thereof.

7. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd in accordance with Article 61(2) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 15 May 2017. Only a member whose name appears on the Record of Depositors as at 15 May 2017 shall be entitled to attend this meeting or appoint a proxy to attend, vote and speak on his/her behalf.

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING (Cont'd)

EXPLANATORY NOTES TO ORDINARY AND SPECIAL BUSINESS:-

1. Audited Financial Statements – Agenda item No. 1

This Agenda item is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 and the Company's Articles of Association provide that the audited financial statements are to be laid in the general meeting. Hence, it is not put forward for voting.

2. Special Business - Ordinary Resolution 6
Authority to Allot Shares Pursuant to Section 75 of the Companies Act, 2016

The proposed Ordinary Resolution 6, if passed, will renew the authority to empower the Director of the Company to issue and allot shares of the Company up to and not exceeding in total 10% of the issued share capital of the Company from time to time and for such purposes as they consider would be in the best interest of the Company ("Renewed Mandate"). The Renewed Mandate will unless revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no shares had been issued and allotted since the general mandate granted to the Directors at the last Annual General Meeting held on 27 May 2016 and such general mandate will lapse at the conclusion of the 13th Annual General Meeting of the Company.

The Renewed Mandate will provide flexibility to the Company to raise funds, including but not limited to placing of shares, for purpose of funding future investment projects, working capital and/or acquisitions.

3. Special Business - Ordinary Resolution 7
Proposed Renewal of Share Buy-Back Authority for the Purchase of its own Ordinary Share

This proposed Ordinary Resolution 7, if passed, will give the Directors of the Company authority to purchase its own shares up to ten percent (10%) of its issued and paid-up share capital. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Article 84 of the Company's Articles of Association, the following Directors are standing for re-election at the Thirteenth Annual General Meeting of the Company:-

(i) Toh Hong Chye
(ii) Ng Kok Wah

Details of the abovenamed Directors are set out on pages 6 to 8 of this Annual Report while their shareholdings in the Company are set out on page 128 to 130 of this Annual Report.

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APPASIA BERHAD (643683-U)
(Incorporated in Malaysia)

Number of Shares held:-	
CDS account no.:-	

PROXY FORM

I/We, ____NRIC No. ________________________
(Full name in capital letters)

of ____
(Full address)

____

being a *Member/Members of **APPASIA BERHAD** (Company No. 643683-U) hereby appoint (Proxy 1)

______________________________________ (*NRIC No./Passport No. ______________________) of

____ and/or* failing him/her* (Proxy 2)

______________________________________ (*NRIC No./Passport No. ______________________) of

____and/or* failing him/her *, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Thirteenth (13th) Annual General Meeting to be held at Gallery 1, Level 1 Concorde Hotel Kuala Lumpur, No 2 Jalan Sultan Ismail, 50200 Kuala Lumpur on Friday, 19 May 2017 at 11.00 a.m. or at any adjournment thereof to vote as indicated below:-

The proportions of my/our holdings to be represented by our proxy(ies) as follows:-

Proxy 1 - ___________%

Proxy 2 - ___________%

**strike out whichever is inapplicable*

(Please indicate with an "X" in the space provided below on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

No.	Agenda	Resolution	FOR	AGAINST
1.	To approve the payment of Directors' fees of RM445,158 in respect of the financial year ended 31 December 2016.	Ordinary Resolution 1		
2.	To approve the payment of Directors' fees and other benefits payable of up to RM445,158 to the directors of the Company for the financial year ending 31 December 2017.	Ordinary Resolution 2		
3.	To re-elect Toh Hong Chye as Director	Ordinary Resolution 3		
4.	To re-elect Ng Kok Wah as Director	Ordinary Resolution 4		
5.	To re-appoint Messrs. UHY as Auditors of the Company and to authorise the Directors to fix their remuneration	Ordinary Resolution 5		
6.	**As Special Business:** Authority to allot shares pursuant to Section 75 of the Companies Act, 2016	Ordinary Resolution 6		
7.	Proposed Renewal of Share Buy-Back Authority for the Purchase of its own Ordinary Share	Ordinary Resolution 7		

Signed on this __________ day of ___________ 2017.

____
Signature of Shareholder or Common Seal

Notes:

A. This Agenda item is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 and the Company's Articles of Association provide that the Audited Financial Statements are to be laid in the general meeting. Hence, it is not put forward for voting.

1. A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead and that where a member appoints two (2) proxies, he/she shall specify the proportion of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company.

2. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. Where a member of the Company is an exempt authorised nominees which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. Where the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's Seal or under the hand of an officer or an attorney duly authorised.

6. The instrument appointing a proxy must be deposited at Boardroom Corporate Services (KL) Sdn Bhd, Share Registrar office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding the meeting, i.e. on or before 11.00 a.m., Wednesday, 17 May 2017 or at any adjournment thereof.

7. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd in accordance with Article 61(2) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 15 May 2017. Only a member whose name appears on the Record of Depositors as at 15 May 2017 shall be entitled to attend this meeting or appoint a proxy to attend, vote and speak on his/her behalf.

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Affix
Stamp

Boardroom Corporate Services (KL) Sdn. Bhd.,
Share Registrar of

APPASIA BERHAD (Company No. 643683-U)
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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Tel : +603-2181 3666 Fax : +603-2181 6688 Email : info@appasia.com