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 2018.

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 profit/(loss) for the financial year, attributable to owners of the parent	463,531	(5,731,709)

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 Board of Directors does not recommend any dividend in respect of the current financial year.

Issue of Shares and Debentures

During the financial year, the Company issued 50,000 ordinary shares through the exercise of the Share Issuance Scheme ("SIS") Options at an issue price of RM0.183 each for cash consideration.

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 17(b) to the financial statements.

As at 31 December 2018, the total numbers of Warrants that remain unexercised were 135,690,400.

DIRECTORS' REPORT (CONT'D)

Options Granted Over Unissued Shares

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

At an extraordinary general meeting held on 15 November 2014, the Company's shareholders approved the establishment of SIS of not more than 30% of the issued and paid-up share capital of the Company at the point of time throughout the duration of the scheme to eligible Directors and employees of the Group. The salient features and other terms of the SIS are disclosed in the Note 29 to the financial statements.

As at 31 December 2018, the options offered to take up unissued ordinary shares and the exercise price are as follows:

		Number of options over ordinary shares			
Date of offer	**Exercise price**	**At 1.1.2018**	**Exercised**	**Lapsed**	**At 31.12.2018**
24 March 2015	0.183	13,520,000	(50,000)	(2,550,000)	10,920,000

Directors

The Directors in office during the financial year until the date of this report are:

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	
Toh Hong Chye*	
Wong Ngai Peow*	
Datuk Low Kim Leng	
Yong Mai Fang	(appointed on 1.3.2018)
Tiew Chee Ming	(appointed on 1.3.2018)
Ng Kok Wah	(resigned on 28.2.2018)

** Director of the Company and its subsidiary companies*

The information required to be disclosed pursuant to Section 253 of the Companies Act, 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

Directors' Interests in Shares

The interests and deemed interests in the ordinary shares, warrants and options over ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were also Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2018/ Date of appointment	**Acquired**	**Sold**	**At 31.12.2018**
Interests in the Company				
Direct interests				
Toh Hong Chye	30,002,900	1,263,800	-	31,266,700
Wong Ngai Peow	2,903,000	-	-	2,903,000
Datuk Low Kim Leng	1,000,000	-	-	1,000,000
Yong Mai Fang	7,100,000	-	-	7,100,000
Indirect interests				
Toh Hong Chye * #	42,000,000	12,000,000	(12,000,000)	42,000,000
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil **	12,000,000	-	(12,000,000)	-
Yong Mai Fang #	30,000,000	12,000,000	-	42,000,000

	Number of warrants			
	At 1.1.2018	**Acquired**	**Sold**	**At 31.12.2018**
Interests in the Company				
Direct interests				
Wong Ngai Peow	1,500	-	-	1,500

	Number of options over ordinary shares			
	At 1.1.2018	**Granted /Vested**	**Exercised**	**At 31.12.2018**
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	500,000	-	-	500,000
Datuk Low Kim Leng	600,000	-	-	600,000

* *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. and Manjung Untung Sdn. Bhd.*

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

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

By virtue of their interest in the shares of the Company, Toh Hong Chye hold more than 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.

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

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 remuneration received or due and receivable by Directors and shown in Note 30(c) to 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 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 30(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.

Indemnity and Insurance Costs

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officer of the Company were RM2,000,000 and RM15,000 respectively. No indemnity was given to or insurance effected for auditors of the Company.

Other Statutory Information

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

    (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

    (i) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets 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 the amounts written off for 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 and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

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

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.

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 7 to the financial statements.

Auditors' Remuneration

The details of auditors' remuneration are set out in Note 23 to the financial statements.

Significant Events

The details of the significant 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 29 March 2019.

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 49 to 118 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 March 2019.

TOH HONG CHYE	**WONG NGAI PEOW**

KUALA LUMPUR

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) 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 49 to 118 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 29 March 2019.)

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 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 118.

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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 financial 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.

Key audit matter	How our audit addressed the key audit matter
<u>Revenue recognition</u> Refer to Note 2(d) (Significant Accounting Judgements, Estimates and Assumptions), Note 3(p) (Significant Accounting Policies) and Note 21 (Revenue) to the financial statements. During the financial year ended 31 December 2018, the Group recognised revenue of RM178,544,729 which represents the most significant amount in the financial statements of the Group. The Group derives different streams of revenues arising from different structures of transactions and arrangement with its suppliers and customers from its business models.	Our audit procedures included, amongst others: • We obtained understanding of the revenue recognition process applied by the management to evaluate management's assessment with regard to whether the Group is acting as principal or agent and performed walkthrough on these processes; • We read and analysed the contractual terms of the contracts with suppliers and arrangements with customers to evaluate management's assessment with regard to whether the Group is acting as principal or agent are in accordance with the MFRS 15 Revenue from Contracts with Customers; • We tested the operating effectiveness of internal control procedure as well as test of details to ensure accurate processing of revenue transactions; • We assessed sales invoices issued, both before and after the financial year end date to assess whether the revenue was recognised in the correct accounting period; and

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
<u>Revenue recognition (cont'd)</u> For each arrangement, management has to exercise judgement to determine whether the Group has the primary responsibility for providing the goods or services or for fulfilling the order, pricing latitude, inventory risk and credit risk. Hence, assessing whether a sale transaction contains the features of acting as principal or as an agent requires significant judgement. These judgements could result in a risk that revenue from the sale of goods and/or services rendered is presented in gross amounts instead of net amounts.	Our audit procedures included, amongst others (cont'd): • We assessed the appropriateness of the disclosures in the financial statements are in accordance with MFRS 15. Based on the procedures performed, we noted no significant exceptions.
<u>Trade receivables</u> Refer to Note 2(d) (Significant Accounting Judgements, Estimates and Assumptions) and Note 10 (Trade receivables) to the financial statements. We focused on this area because the management make judgements over both the events or changes in circumstances indicating that trade receivables are impaired and the estimation of the size of any such impairment. The trade receivables are monitored individually by management and therefore the impairment is assessed based on knowledge of each individual receivable.	Our audit procedures included, amongst others: • Developing an understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports or other collection reports; • Evaluated and tested the credit process in place to assess and manage the recoverability of trade receivables; • Critically assessed recoverability of receivables that were past due but not impaired with reference to their historical records and repayment trends; • Reviewing receipts of collections subsequent to the financial year end, customer correspondence, and considering level of activity with the customer and explanation on recoverability with significantly past due balances; and • Assessing the reasonableness of impairment charges for identified credit exposures. Based on the procedures performed, we noted no significant exceptions.

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, 2016 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.

- 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF APPASIA BERHAD (CONT'D)

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

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 financial 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, 2016 in Malaysia, we report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

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

NG WEE TEIK
Approved Number: 1817/12/2020 (J)
Chartered Accountant

KUALA LUMPUR

29 March 2019

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	436,665	535,688	398,114	386,388
Investment properties	5	2,352,167	2,402,167	2,352,167	2,402,167
Development expenditures	6	1,684,135	1,066,126	-	-
Investment in subsidiary companies	7	-	-	14,348,077	18,406,504
Investment in an associate company	8	-	36,573	-	100,000
		4,472,967	4,040,554	17,098,358	21,295,059
Current Assets					
Inventories	9	152,009	178,947	-	-
Trade receivables	10	16,286,449	98,638,500	-	-
Other receivables	11	2,390,833	1,858,266	667,531	930,122
Amount due from subsidiary companies	12	-	-	15,125,046	4,040,422
Tax recoverable		457,289	62,817	-	-
Fixed deposits with licensed banks	13	4,048,058	5,041,351	4,048,058	5,041,351
Cash and bank balances	14	2,961,189	15,493,822	839,693	7,861,553
Assets classified as held for sale	15	-	828,000	-	-
		26,295,827	122,101,703	20,680,328	17,873,448
Total Assets		30,768,794	126,142,257	37,778,686	39,168,507
EQUITY					
Share capital	16	50,463,256	50,450,491	50,463,256	50,450,491
Reserves	17	(23,347,295)	(23,829,877)	(17,308,695)	(11,573,371)
Total Equity		27,115,961	26,620,614	33,154,561	38,877,120
LIABILITIES					
Non-Current Liability					
Finance lease liabilities	18	46,402	49,642	46,402	49,642
		46,402	49,642	46,402	49,642
Current Liabilities					
Trade payables	19	1,373,966	96,772,250	-	-
Other payables	20	2,150,004	2,556,800	109,771	150,134
Amount due to subsidiary companies	12	-	-	4,385,559	-
Finance lease liabilities	18	82,393	91,611	82,393	91,611
Tax payable		68	51,340	-	-
		3,606,431	99,472,001	4,577,723	241,745
Total Liabilities		3,652,833	99,521,643	4,624,125	291,387
Total Equity and Liabilities		30,768,794	126,142,257	37,778,686	39,168,507

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 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Revenue	21	178,544,729	142,839,297	2,180,676	1,668,335
Cost of sales		(173,512,375)	(136,699,778)	-	-
Gross profit		5,032,354	6,139,519	2,180,676	1,668,335
Other income		1,663,094	980,127	20,629	15,009
Administrative expenses		(6,095,286)	(7,269,833)	(7,924,939)	(4,618,129)
Finance cost	22	(8,075)	(10,939)	(8,075)	(10,939)
Share of result of an associate company		(31,525)	(55,009)	-	-
Profit/(Loss) before tax	23	560,562	(216,135)	(5,731,709)	(2,945,724)
Taxation	24	(97,031)	(199,105)	-	-
Net profit/(loss) for the financial year		463,531	(415,240)	(5,731,709)	(2,945,724)
Other comprehensive income ***Items that are or may be reclassified subsequently to profit or loss*** Exchange translation differences for foreign operation		22,954	14,144	-	-
Total comprehensive income/(loss) for the financial year		486,485	(401,096)	(5,731,709)	(2,945,724)
Profit/(Loss) for the financial year attributable to owners of the parent		463,531	(415,240)	(5,731,709)	(2,945,724)
Total comprehensive income/(loss) attributable to owners of the parent		486,485	(401,096)	(5,731,709)	(2,945,724)
Earning/(Loss) per share Basic earning/(loss) per share (sen)	25(a)	0.13	(0.14)		
Diluted eaning/(loss) per share (sen)	25(b)	0.13	(0.11)		

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to the Owners of the Parent						
		Non-Distributable						
Group	**Note**	**Share Capital 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 2018, as previously reported		50,450,491	20,489,250	(20,489,250)	977,496	5,207	(24,812,580)	26,620,614
Effect of adopting MFRS 9		-	-	-	-	-	(288)	(288)
At 1 January 2018, as restated		50,450,491	20,489,250	(20,489,250)	977,496	5,207	(24,812,868)	26,620,326
Net profit for the financial year		-	-	-	-	-	463,531	463,531
Other comprehensive income for the financial year		-	-	-	-	22,954	-	22,954
Total comprehensive income for the financial year		-	-	-	-	22,954	463,531	486,485
Transactions with owners:								
Share options lapsed	17	-	-	-	(184,365)	-	184,365	-
Exercise of SIS options	16,17	12,765	-	-	(3,615)	-	-	9,150
Total transactions with owners		12,765	-	-	(187,980)	-	184,365	9,150
Deregistration of foreign subsidiary		-	-	-	-	(28,161)	28,161	-
At 31 December 2018		50,463,256	20,489,250	(20,489,250)	789,516	-	(24,136,811)	27,115,961

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

		Attributable to the Owners of the Parent							
		Non-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 2017		28,372,280	4,410,545	20,982,416	(20,982,416)	1,741,214	(8,937)	(24,472,039)	10,043,063
Net loss for the financial year		-	-	-	-	-	-	(415,240)	(415,240)
Other comprehensive income for the financial year		-	-	-	-	-	14,144	-	14,144
Total comprehensive income/ (loss) for the financial year		-	-	-	-	-	14,144	(415,240)	(401,096)
Transactions with owners:									
Issurance of ordinary shares	16	10,393,387	-	-	-	-	-	-	10,393,387
Conversion of Warrants	16	424,580	-	(493,166)	493,166	-	-	-	424,580
Share options granted under SIS	17	-	-	-	-	1,250,790	-	-	1,250,790
Share options lapsed	17	-	-	-	-	(74,699)	-	74,699	-
Exercise of SIS options	16,17	6,849,699	-	-	-	(1,939,809)	-	-	4,909,890
Total transactions with owners		17,667,666	-	(493,166)	493,166	(763,718)	-	74,699	16,978,647
Transfer in accordance with Section 618(2) of the Companies Act, 2016		4,410,545	(4,410,545)	-	-	-	-	-	-
At 31 December 2017		50,450,491	-	20,489,250	(20,489,250)	977,496	5,207	(24,812,580)	26,620,614

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

		Attributable to the Owners of the Parent					
		Non-Distributable					
Company	**Note**	**Share Capital RM**	**Warrant Reserve RM**	**Other Reserve RM**	**Share Issuance Scheme Option Reserve RM**	**Accumulated Losses RM**	**Total Equity RM**
At 1 January 2018		50,450,491	20,489,250	(20,489,250)	977,496	(12,550,867)	38,877,120
Net loss for the financial year, representing total comprehensive loss for the financial year		-	-	-	-	(5,731,709)	(5,731,709)
Transactions with owners:							
Share options lapsed	17	-	-	-	(184,365)	184,365	-
Exercise of SIS options	16,17	12,765	-	-	(3,615)	-	9,150
Total transactions with owners		12,765	-	-	(187,980)	184,365	9,150
At 31 December 2018		50,463,256	20,489,250	(20,489,250)	789,516	(18,098,211)	33,154,561

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

		Attributable to the Owners of the Parent						
		Non-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 2017		28,372,280	4,410,545	20,982,416	(20,982,416)	1,741,214	(9,679,842)	24,844,197
Net loss for the financial year, representing total comprehensive loss for the financial year		-	-	-	-	-	(2,945,724)	(2,945,724)
Transactions with owners:								
Issuance of ordinary shares	16	10,393,387	-	-	-	-	-	10,393,387
Conversion of Warrants	16	424,580	-	(493,166)	493,166	-	-	424,580
Shares options granted under SIS	17	-	-	-	-	1,250,790	-	1,250,790
Share options lapsed	17	-	-	-	-	(74,699)	74,699	-
Exercise of SIS options	16,17	6,849,699	-	-	-	(1,939,809)	-	4,909,890
Total transactions with owners		17,667,666	-	(493,166)	493,166	(763,718)	74,699	16,978,647
Transfer in accordance with Section 618(2) of the Companies Act, 2016		4,410,545	(4,410,545)	-	-	-	-	-
At 31 December 2017		50,450,491	-	20,489,250	(20,489,250)	977,496	(12,550,867)	38,877,120

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash Flows From Operating Activities					
Profit/(Loss)before tax		560,562	(216,135)	(5,731,709)	(2,945,724)
Adjustments for:					
Amortisation of development expenditures		335,255	140,674	-	-
Bad debts written off		306	-	-	-
Depreciation of investment properties		50,000	85,207	50,000	50,000
Depreciation of property, plant and equipment		214,622	566,506	153,400	435,064
Development expeditures written off		-	400,000	-	400,000
Impairment losses on:					
- investment in subsidiary companies		-	-	4,058,425	-
- trade receivables		1,319	-	-	-
- amount due from subsidiary companies		-	-	29,412	-
Interest expenses		8,075	10,939	8,075	10,939
Inventories written off		-	37,105	-	-
Property, plant and equipment written off		41,306	57,540	2	-
Share-based payment		-	1,250,790	-	1,250,790
Share of result of an associate company		31,525	55,009	-	-
Loss on deregistration of a subsidiary company		-	-	2	-
(Gain)/Loss on disposal of investment in associate company		(4,952)	-	90,000	-
Gain on disposals of investment properties		-	(816,407)	-	-
Gain on disposals of non-current assets held for sales		(1,572,000)	-	-	-
Gain on disposals of property, plant and equipment		(20,932)	-	(19,707)	-
Unrealised loss/(gain)on foreign exchange		29,099	47,055	(3)	156
Interest income		(147,516)	(113,788)	(131,676)	(108,335)
Operating(loss)/profit before working capital changes		(473,331)	1,504,495	(1,493,779)	(907,110)
Change in working capital:					
Inventories		26,938	69,573	-	-
Receivables		81,817,571	(99,654,022)	262,591	(695,186)
Payables		(95,805,080)	97,924,395	(40,363)	(84,642)
Subsidiary companies		-	-	(94,000)	(710,200)
		(13,960,571)	(1,660,054)	128,228	(1,490,028)
Cash used in operations		(14,433,902)	(155,559)	(1,365,551)	(2,397,138)
Interest paid		(8,075)	(10,939)	(8,075)	(10,939)
Interest received		147,516	113,788	131,676	108,335
Tax paid		(576,190)	(151,560)	-	-
Tax refund		33,415	50,574	-	-
Net cash used in operating activities		(14,837,236)	(153,696)	(1,241,950)	(2,299,742)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Cash Flows From Investing Activities					
Additions to development expeditures		(953,264)	(1,206,800)	-	-
Advances to subsidiary companies		-	-	(11,020,036)	(3,001,622)
Purchase of property, plant and equipment	4(a)	(111,749)	(10,246)	(109,129)	(10,246)
Proceeds from disposal of associate company		10,000	-	10,000	-
Proceeds from disposal of investment properties		-	1,200,000	-	-
Proceeds from disposal of property, plant and equipment		75,776	-	63,708	-
Proceeds from disposal of non-current assets held for sales		2,400,000	-	-	-
Investment in an associate company		-	(40,000)	-	(40,000)
Net cash from/(used in) investing activities		1,420,763	(57,046)	(11,055,457)	(3,051,868)
Cash Flows From Financing Activities					
Repayment to associate company		-	(2,779)	-	-
Advances from/(Repayment to) subsidiary companies		-	-	4,385,559	(1,167,529)
Proceeds from issuance of ordinary shares		-	10,393,387	-	10,393,387
Proceeds from conversion of Warrants		-	424,580	-	424,580
Proceeds from exercises of SIS Options		9,150	4,909,890	9,150	4,909,890
Repayment of finance lease liabilities		(112,458)	(115,373)	(112,458)	(115,373)
Net cash(used in)/from financing activities		(103,308)	15,609,705	4,282,251	14,444,955
Net (decrease)/increase in cash and cash equivalents		(13,519,781)	15,398,963	(8,015,156)	9,093,345
Effect of exchange translation on cash and cash equivalents		(6,145)	(56,937)	3	(156)
Cash and cash equivalents at the beginning of the financial year		20,535,173	5,193,147	12,902,904	3,809,715
Cash and cash equivalents at the end of the financial year		7,009,247	20,535,173	4,887,751	12,902,904
Cash and cash equivalents at the end of the financial year comprises:					
Fixed deposits with licensed banks		4,048,058	5,041,351	4,048,058	5,041,351
Cash and bank balances		2,961,189	15,493,822	839,693	7,861,553
		7,009,247	20,535,173	4,887,751	12,902,904

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

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, Berjaya Central Park, No.105, Jalan Ampang, 50450 Kuala Lumpur.

The registered office of the Company is located at Suite 10.02, 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. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Adoption of new and amended standards

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

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property

Annual Improvements to MFRSs 2014 – 2016 Cycle:

- Amendments to MFRS 1 — First Time Adoption Of Malaysian Financial Reporting Standards
- Amendments to MFRS 128 — Investments in Associates and Joint Ventures

The adoption of the new and amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company, except for:

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

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this Standard are not relevant to the Group and to the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONT'D)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

The Group and the Company applied MFRS 9 retrospectively, and have elected not to restate the comparative periods in the financial year of initial adoption as permitted under MFRS 9 transitional provision. The impact arising from MFRS 9 adoption were included in the opening retained earnings at the date of initial application, 1 January 2018.

(a) Classification of financial assets

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL") and replaces the existing MFRS 139 Financial Instruments: Recognition and Measurement categories of loans and receivables, held-to-maturity and available-for-sale. Classification under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. There were no changes to the classification and measurements of financial liabilities to the Group and the Company.

(b) Impairment

MFRS 9 requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The Group and the Company require to record ECL on all of its debt instruments, loans and receivables, either on a 12 months or lifetime basis. The Group and the Company applied the simplified approach and record lifetime expected losses on all receivables. Based on readily information as at the date of this report, the Group and the Company do not expect any significant increase in impairment losses.

(c) Effect of changes in classification and measurement of financial assets on 1 January 2018

			Reclassification to MFRS 9
	As at 1.1.2018 RM	Re-measurement RM	AC RM
Group			
Financial assets			
Loans and receivables			
Trade receivables	98,638,500	(288)	98,638,212
Other receivables	896,781	-	896,781
Fixed deposits with licensed banks	5,041,351	-	5,041,351
Cash and bank balances	15,493,822	-	15,493,822

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

(c) Effect of changes in classification and measurement of financial assets on 1 January 2018 (Cont'd)

	As at 1.1.2018 RM	Re-measurement RM	Reclassification to MFRS 9 AC RM
Company			
Financial assets			
Loans and receivables			
Other receivables	218,184	-	218,184
Amounts due from subsidiary companies	4,040,422	-	4,040,422
Fixed deposits with licensed banks	5,041,351	-	5,041,351
Cash and bank balances	7,861,553	-	7,861,553

(d) Effect on impairment allowances on 1 January 2018

	Group RM	Company RM
Impairment of financial assets		
Balance under MFRS 139 as at 31 December 2017	-	-
Impairment loss on receivables	288	-
Balance under MFRS 9 as at 1 January 2018	288	-

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. 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 and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, MFRS 15 can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, MFRS 15 can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

The adoption of MFRS 15 has no material financial impact other than the disclosures made in the financial statements.

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, new interpretations 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
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term interest in Associates and Joint ventures	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 101	Definition of Material	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
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 when they become effective.

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

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 impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

(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 and has been rounded to the nearest RM except when otherwise stated.

(d) Significant accounting judgements, estimates and assumptions

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

Judgement

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

2. **Basis of Preparation (Cont'd)**

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

Revenue recognition

The Group derives different streams of revenue arising from different structures of transactions and arrangements with its suppliers and customers from its business models.

The determination of whether the Group is principal or agent requires judgement. In making this judgement, the Group evaluates, among other factors, whether the Group has the primary responsibility for providing the goods or services or for fulfilling the order, latitude in establishing the price, control over inventory risk and credit risk. Therefore, the Group reviews its contractual arrangements with each supplier and customer to assess whether they are acting as principal or agent in a specific arrangement. The Group also reviews its contractual arrangements when there are variations to the contract terms.

Management exercises judgement based on the above features to determine whether the Group is acting as principal or agent for each arrangement.

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 reviews 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 Notes 4 and 5 respectively.

Impairment of investment in subsidiary companies

The Company reviews its investments in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investments in subsidiary companies is disclosed in Note 7.

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.

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Development expenditures

The Group capitalises development expenditures for a project in accordance with the accounting policy. Initial capitalisation of development expenditures 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 expenditures is disclosed in Note 6.

Recoverability of development expenditures

During the financial year, the Directors considered the recoverability of the Group's development expenditures. 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 expenditures is disclosed in Note 6.

Amortisation of development expenditures

Changes in the expected level of usage and technological development could impact the economic useful lives, therefore future amortisation charges could be revised. The carrying amount at the reporting date for development expenditures is disclosed in Note 6.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods are based on invoiced values. Discounts are not considered as they are not only given in rare circumstances.

Impairment of trade receivables

The Group review the recoverability of its receivables at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The customer's credit worthiness is evaluated by reviewing, amongst others, the Group's historical collection experience.

The carrying amounts at the reporting date for trade receivables are disclosed in Notes 10.

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also require determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Details of assumptions made in respect of the share-based payment scheme are disclosed in Notes 17(d) and 29 respectively.

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 2018, the Group has tax recoverable and payable of RM457,289 (2017: RM62,817) and RM68 (2017: RM51,340) respectively.

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) Basis 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.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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

If the business combination is achieved in stages, the acquirer's 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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

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 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(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.

(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 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. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The financial statements of the associate company 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.

The requirements of MFRS 136 Impairment of Assets are applied to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 as a single asset, by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) 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.

3. Significant Accounting Policies (Cont'd)

(b) Investments in associate company (Cont'd)

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.

(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.

3. Significant Accounting Policies (Cont'd)

(c) Foreign currency translation (Cont'd)

(ii) Foreign operations (Cont'd)

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

When the Group disposes 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 that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(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.

3. Significant Accounting Policies (Cont'd)

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

(iii) Depreciation

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

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

Furniture and fittings	20%
Office equipment	20%
Computers	20% - 50%
Motor vehicles	20%
Renovation	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 2018 (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 or the Company 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.

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.

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 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

Policy applicable from 1 January 2018

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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

The Group and the Company determine the classification of financial assets at initial recognition, and the categories include trade and other receivables, amount due from subsidiary companies, fixed deposits with licensed banks and cash and bank balances.

3. **Significant Accounting Policies (Cont'd)**

(h) Financial assets (Cont'd)

Policy applicable from 1 January 2018 (Cont'd)

(i) Financial assets measured at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Fair value through other comprehensive income

Debt instruments

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

Financial assets categorised as FVOCI are subsequently measured at fair value, with unrealised gains and losses recognised directly in OCI and accumulated under fair value adjustment reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

The Group and the Company have not designated any financial assets as FVOCI.

(iii) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. Significant Accounting Policies (Cont'd)

(h) Financial assets (Cont'd)

Policy applicable from 1 January 2018 (Cont'd)

(iii) Financial assets at fair value through profit or loss (Cont'd)

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment.

The Group and the Company have not designated any financial assets at FVTPL.

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

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

Policy applicable before 1 January 2018

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

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

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

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

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

Regular way purchase or sale 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. All regular way purchases or sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

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 has 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(i) Financial liabilities

Policy applicable from 1 January 2018

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability 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.

Policy applicable before 1 January 2018

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 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.

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.

3. Significant Accounting Policies (Cont'd)

(k) Inventories

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

Cost of inventories comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a first-in first-out basis.

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.

(m) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories) 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. 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.

3. **Significant Accounting Policies (Cont'd)**

(m) Impairment of assets (Cont'd)

(i) Non-financial assets (Cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at 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.

(ii) Financial assets

Policy applicable from 1 January 2018

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, other receivables and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Policy applicable before 1 January 2018

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.

<u>Financial assets carried at amortised cost</u>

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.

3. Significant Accounting Policies (Cont'd)

(m) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Policy applicable before 1 January 2018 (Cont'd)

Financial assets carried at amortised cost (Cont'd)

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 proceeds received, net of directly attributable transaction costs. 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.

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 Employees 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.

3. Significant Accounting Policies (Cont'd)

(o) Employee benefits (Cont'd)

(iii) Share-based payment transactions

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.

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.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings or accumulated losses.

(p) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from the following major sources:

(a) Sale of goods

The Group sells a range of merchandise in the wholesale market. Revenue from sale of goods is recognised when control of the products has transferred, being the products are delivered to the customer.

Following delivery of the goods to the wholesaler's specific location, the wholesaler has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

Revenue is recognised based on the price specified in the contract, net of the rebates, discounts and taxes. Under the Group's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue are recognised for those product expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return, so consequently recognises a right to returned goods asset and a corresponding adjustment to the cost of inventories recognised in profit or loss. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

A receivable is recognised by the Group when the goods are delivered as this represents the point in time at which the right to consideration is unconditional, because only the passage of time is required before payment is due. No element of financing is deemed present as the revenue recognised with a credit term of 30 to 90 days, which is consistent with market practice.

3. Significant Accounting Policies (Cont'd)

(p) Revenue recognition (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

(b) Rendering of services

Revenue from services and management fees are recognised in the reporting period in which the services are rendered, which simultaneously received and consumes the benefits provided by the Group, and the Group has a present right to receive payment for the services.

(c) Commission

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(ii) 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.

(iii) Interest income

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

(q) 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.

(r) 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.

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.

3. Significant Accounting Policies (Cont'd)

(r) Income taxes (Cont'd)

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements 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. 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.

(s) 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.

(t) 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.

(u) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment are not depreciated or amortised once classified as held for sale.

4. **Property, Plant and Equipment**

	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
Group						
2018						
Cost						
At 1 January 2018	290,301	241,902	544,314	388,868	845,906	2,311,291
Additions	-	-	24,542	163,207	24,000	211,749
Disposals	(6,691)	(18,440)	(20,949)	(120,000)	-	(166,080)
Written off	(95,498)	(39,969)	(36,986)	-	(113,155)	(285,608)
At 31 December 2018	188,112	183,493	510,921	432,075	756,751	2,071,352
Accumulated depreciation						
At 1 January 2018	141,799	136,809	529,372	144,180	823,443	1,775,603
Charge for the financial year	50,975	36,096	17,930	83,534	26,087	214,622
Disposals	(4,684)	(9,608)	(20,944)	(76,000)	-	(111,236)
Written off	(66,230)	(27,951)	(36,966)	-	(113,155)	(244,302)
At 31 December 2018	121,860	135,346	489,392	151,714	736,375	1,634,687
Carrying amount						
At 31 December 2018	66,252	48,147	21,529	280,361	20,376	436,665

4. Property, Plant and Equipment (Cont'd)

	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
Group						
2017						
Cost						
At 1 January 2017	301,694	248,739	581,383	388,868	852,569	2,373,253
Additions	-	-	10,246	-	-	10,246
Written off	(11,393)	(6,110)	(47,315)	-	(6,663)	(71,481)
Foreign currency translation differences	-	(727)	-	-	-	(727)
At 31 December 2017	290,301	241,902	544,314	388,868	845,906	2,311,291
Accumulated depreciation						
At 1 January 2017	87,937	97,808	450,594	66,406	520,508	1,223,253
Charge for the financial year	58,582	41,864	82,464	77,774	305,822	566,506
Written off	(4,720)	(2,648)	(3,686)	-	(2,887)	(13,941)
Foreign currency translation differences	-	(215)	-	-	-	(215)
At 31 December 2017	141,799	136,809	529,372	144,180	823,443	1,775,603
Carrying amount						
At 31 December 2017	148,502	105,093	14,942	244,688	22,463	535,688

4. Property, Plant and Equipment (Cont'd)

	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
Company						
2018						
Cost						
At 1 January 2018	126,829	94,322	264,988	388,868	611,597	1,486,604
Additions	-	-	21,922	163,207	24,000	209,129
Disposals	-	-	(2,735)	(120,000)	-	(122,735)
Written off	-	-	(3,789)	-	-	(3,789)
At 31 December 2018	126,829	94,322	280,386	432,075	635,597	1,569,209
Accumulated depreciation						
At 1 January 2018	53,681	39,155	258,706	144,180	604,494	1,100,216
Charge for the financial year	25,365	18,864	13,535	83,534	12,102	153,400
Disposals	-	-	(2,734)	(76,000)	-	(78,734)
Written off	-	-	(3,787)	-	-	(3,787)
At 31 December 2018	79,046	58,019	265,720	151,714	616,596	1,171,095
Carrying amount						
At 31 December 2018	47,783	36,303	14,666	280,361	19,001	398,114
2017						
Cost						
At 1 January 2017	126,829	94,322	254,742	388,868	611,597	1,476,358
Additions	-	-	10,246	-	-	10,246
At 31 December 2017	126,829	94,322	264,988	388,868	611,597	1,486,604
Accumulated depreciation						
At 1 January 2017	28,315	20,291	214,576	66,406	335,564	665,152
Charge for the financial year	25,366	18,864	44,130	77,774	268,930	435,064
At 31 December 2017	53,681	39,155	258,706	144,180	604,494	1,100,216
Carrying amount						
At 31 December 2017	73,148	55,167	6,282	244,688	7,103	386,388

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONT'D)

4. Property, Plant and Equipment (Cont'd)

(a) Purchase of property, plant and equipment

The aggregate cost for the property, plant and equipment of the Group and of the Company during the financial year under finance lease and cash payments are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Aggregate costs	211,749	10,246	209,129	10,246
Less: Finance leases financing	(100,000)	-	(100,000)	-
Cash payments	111,749	10,246	109,129	10,246

(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 follows:

	Group and Company	
	2018 RM	2017 RM
Motor vehicles	280,361	244,688

The leased assets are pledged as securities for the related finance lease liabilities as disclosed in Note 18.

5. Investment Properties

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Freehold land and buildings:				
Cost				
At 1 January	2,500,000	4,532,000	2,500,000	2,500,000
Disposals	-	(652,000)	-	-
Transfer to assets classifie as held for sale (Note 15)	-	(1,380,000)	-	-
At 31 December	2,500,000	2,500,000	2,500,000	2,500,000
Accumulated depreciation				
At 1 January	97,833	833,033	97,833	47,833
Charge for the financial year	50,000	85,207	50,000	50,000
Disposals	-	(268,407)	-	-
Transfer to assets classified as held for sale (Note 15)	-	(552,000)	-	-
At 31 December	147,833	97,833	147,833	97,833

5. Investment Properties (Cont'd)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Carrying amount				
At 31 December	2,352,167	2,402,167	2,352,167	2,402,167
Fair value of investment properties				
At 31 December	2,450,000	2,450,000	2,450,000	2,450,000

(a) Fair value basis of investment properties

Fair value of investment properties was estimated by the Directors based on valuation report of market values of comparable properties. The fair values are within Level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable property.

(b) Income and expenses recognised in profit or loss

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Rental income	18,000	120,048	18,000	-
Direct operating expenses	(6,000)	(52,689)	(6,000)	(8,420)

6. Development Expenditures

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cost				
At 1 January	1,206,800	400,000	-	400,000
Additions	953,264	1,206,800	-	-
Written off	-	(400,000)	-	(400,000)
At 31 December	2,160,064	1,206,800	-	-
Less: Accumulated amortisation				
At 1 January	140,674	-	-	-
Amortisation during the financial year	335,255	140,674	-	-
At 31 December	475,929	140,674	-	-
Carrying amount				
At 31 December	1,684,135	1,066,126	-	-

6. Development Expenditures (Cont'd)

Development expenditures represent the costs incurred in relation to innovation of secure chat messaging system and enhancement of their existing mobile applications, digital contents, e-commerce and the information technology security solution.

The useful lives of the development expenditures are estimated to be 5 years.

Impairment testing for development expenditure

The development expenditures of the Group were tested for impairment using the value-in-use ("VIU") method.

The recoverable amount of CGU in respect of the development expenditures were 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 8% (2017: 4.75%) have been applied to cash flow projections.

Based on the impairment test, no impairment is required for the development expenditures, except innovation of secured chat messaging system is fully impaired during the financial year as the recoverable amount of the secured chat messaging system estimated based on value-in-use method is Nil.

7. Investment in Subsidiary Companies

	Company	
	2018 RM	2017 RM
In Malaysia		
Unquoted shares, at cost	18,406,502	18,406,504
Less: Accumulated impairment losses	(4,058,425)	-
	14,348,077	18,406,504

Movement in the allowance for impairment losses are as follows:

	Company	
	2018 RM	2017 RM
At 1 January	-	-
Impairment loss recognised	4,058,425	-
At 31 December	4,058,425	-

During the financial year, the Company conducted a review of the recoverable amounts of its investment in subsidiary companies. The recoverable amount of investment was estimated based on fair value less cost of disposal. An impairment loss amounting to RM4,058,425 (2017: RM Nil) was recognised during the financial year. The recoverable amounts are determined using the fair value less cost of disposal approach, and this is derived using adjusted net assets of the respective subsidiary companies as at the end of the reporting period. The fair values are within level 3 of the fair value hierarchy.

7. Investment in Subsidiary Companies (Cont'd)

Details of subsidiary companies are as follows:

Name of company	Place of business/ Country of incorporation	Equity interest 2018	Equity interest 2017	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 Marketing Sdn. Bhd.	Malaysia	100	100	To carry on business in relation to e-commerce and to deal on all type of e-commerce business in all goods, services, merchandise, vide business to business (b2b), business to customer (b2c) and providing services in portals, internet marketing and electronic publishing and applications development related business.
AppAsia Cloud Sdn. Bhd.	Malaysia	100	100	To offer all kinds of services related to information technology infrastructure, application systems and 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	To carry on business in relation to e-commerce and to deal on all type of e-commerce in all business goods, services, merchandise, vide business to business (b2b),business to customer (b2c) and providing services in portals,internet marketing and electronic publishing.

7. Investment in Subsidiary Companies (Cont'd)

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

Name of company	Place of business/ Country of incorporation	Equity interest 2018	Equity interest 2017	Principal activities
		%	%	
AppAsia International Sdn. Bhd.	Malaysia	100	100	Investment holding, online trading, e-commerce, mobile application solutions.
AppAsia Online Sdn. Bhd.	Malaysia	-	100	Dormant
AppAsia Pay Sdn. Bhd.	Malaysia	100	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	Online trading, e-commerce, mobile application solution.

^ *Not required to be audited in their countries of incorporation. The financial statements have been reviewed for consolidation purpose.*

(a) AppAsia Online Sdn. Bhd., a wholly owned subsidiary, has been struck off on 6 February 2018 by the Companies Commission of Malaysia under section 550 of Companies Act, 2016. The Company had been dormant since its incorporation.

(b) AppAsia International Pty. Ltd., an indirect wholly owned subsidiary, has received a notification from Australia Securities and Investment Commission that the Company had been deregistered on 15 August 2018.

On 27 November 2018, the Company entered into a Shares Sale Agreement ("SSA") with third parties for proposed acquisition of 2,000,000 ordinary shares which represents 100% of the issued and paid up capital of TBH Borneo Sdn. Bhd. for a total cash consideration of RM500,000. As at 31 December 2018, the Conditions Precedent as set out in the SSA have yet to be fulfilled.

8. Investment in an Associate Company

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
At Cost				
Unquoted shares in Malaysia	-	100,000	-	100,000
Share of post-acquisition reserve	-	(63,427)	-	-
	-	36,573	-	100,000

8. Investment in an Associate Company (Cont'd)

Name of company	Place of business/ Country of incorporation	Equity interest 2018	2017	Principal activities
		%	%	
AppAsia Express Sdn. Bhd. ("AESB")	Malaysia	-	20	Courier services carry business as distributor

On 27 November 2018, the Company entered into a Share Sale Agreement ("SSA") with a third party to dispose of its entire equity interest comprising of 100,000 ordinary shares in AESB for a total cash consideration of RM10,000. Subsequently, AESB ceased to be an associate to the Company. As a result, the Group and the Company recognised gain/(loss) on disposal of RM4,952 and RM90,000 respectively in statements of profit or loss and other comprehensive income.

The Group's associate company is individually immaterial to the financial position, financial performance and cash flows of the Group.

9. Inventories

	Group 2018 RM	2017 RM
Trading merchandise	152,009	178,947
Recognised in profit or loss:		
Inventories recognised as cost of sales	60,403	334,364
Inventories written off	-	37,105

10. Trade Receivables

	Group 2018 RM	2017 RM
Trade receivables	16,288,056	98,638,500
Less: Accumulated impairment losses	(1,607)	-
	16,286,449	98,638,500

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2017: 30 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

10. Trade Receivables (Cont'd)

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

	Group	
	2018 RM	2017 RM
At 1 January	-	145,459
Effect of adopting MFRS 9	288	-
Impairment losses recognised	1,319	-
Written off	-	(145,459)
At 31 December	1,607	-

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The aged analysis of trade receivables as at the end of the reporting period is as follows:

Group	Gross amount RM	Loss allowance RM	Net amount RM
2018			
Neither past due nor impaired	7,381,620	593	7,381,027
Past due not impaired:			
Less than 30 days	8,853,990	244	8,853,746
31 to 60 days	51,300	-	51,300
61 to 90 days	60	-	60
More than 90 days	316	-	316
	8,905,666	244	8,905,422
	16,287,286	837	16,286,449
Credit impaired:			
More than 90 days past due	770	770	-
	16,288,056	1,607	16,286,449
2017			
Neither past due nor impaired	38,865,659	-	38,865,659
Past due not impaired:			
Less than 30 days	26,396,633	-	26,396,633
31 to 60 days	13,826,793	-	13,826,793
61 to 90 days	5,093,110	-	5,093,110
More than 90 days	14,456,305	-	14,456,305
	59,772,841	-	59,772,841
	98,638,500	-	98,638,500

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

As at 31 December 2018, trade receivables of RM8,905,422 (2017: RM59,772,841) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

10. Trade Receivables (Cont'd)

The currency exposure profiles of trade receivables are as follows:

	Group	
	2018 RM	2017 RM
United States Dollar	11,295	6,611

11. Other Receivables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	1,462,704	635,273	16,188	12,968
Deposits	102,674	261,508	64,866	205,216
Prepayments	617,953	920,133	578,442	711,938
GST recoverable	207,502	41,352	8,035	-
	2,390,833	1,858,266	667,531	930,122

Included in prepayments of the Group and the Company are RM Nil (2017: RM646,368) and RM Nil (2017: RM637,671) respectively relates to the expenses incurred for the proposed listing on Australian Securities Exchange ("ASX").

12. Amount Due from/(to) Subsidiary Companies

	Company	
	2018 RM	2017 RM
Amount due from subsidiary companies		
Trade related	1,132,800	1,038,800
Non-trade related	14,021,658	3,001,622
	15,154,458	4,040,422
Less: Accumulated impairment losses	(29,412)	-
	15,125,046	4,040,422
Amount due to subsidiary companies		
Non-trade related	4,385,559	-

Trade balance is given credit term of 30 to 90 days (2017: 30 to 90 days).

Non trade balances are unsecured, non-interest bearing and repayable on demand.

During the financial year, the Company conducted a review of the recoverable amounts of amount due from subsidiary companies. The recoverable amounts are determined using the fair value less cost of disposal approach, and this is derived using adjusted net assets of the subsidiary companies as at end of the reporting period. The fair values are within level 3 of the fair value hierarchy. An impairment loss of RM29,412 (2017: RM Nil) was recognised during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONT'D)

13. Fixed Deposits with Licensed Banks

The interest rates and maturities of deposits of the Group and Company at the end of the reporting period is 3.20% (2017: ranging from 2.95% to 3.00%) and 30 days (2017: ranging from 30 to 90 days) respectively.

14. Cash and Bank Balances

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
United States Dollar	1,721	13,369	-	148
Australian Dollar	14,018	88,605	14,018	-
Singapore Dollar	-	3,087	-	2,503
Thai Baht	-	14,587	-	14,587
Myanmar Kyat	475	475	-	-
Chinese Renminbi	-	5,933	-	-
Indonesia Rupiah	-	2,491	-	-

15. Assets Classified as Held for Sale

	Group	
	2018 RM	2017 RM
Investment Properties		
At 1 January	828,000	-
Disposal	(828,000)	-
Transfer from investment properties (Note 5)	-	828,000
At 31 December	-	828,000

On 30 August 2017, the Group entered into Sale and Purchase Agreements ("SPAs") with third party for the disposal of certain investment properties for a total cash consideration of RM2,400,000. The disposal of the investment properties was completed on 20 March 2018, and had resulted a gain of RM1,572,000 recognised in statement of profit or loss and other comprehensive income.

16. Share Capital

	Group and Company			
	Number of Shares		Amount	
	2018 Units	2017 Units	2018 RM	2017 RM
Ordinary shares with no par value				
Issued and fully paid				
At 1 January	345,199,800	283,722,800	50,450,491	28,372,280
Issuance of ordinary shares	-	31,381,000	-	10,393,387
Conversion of Warrants	-	3,266,000	-	424,580
Exercise of SIS options	50,000	26,830,000	12,765	6,849,699
Transfer from share premium in accordance with Section 618(2) of the Companies Act, 2016*	-	-	-	4,410,545
At 31 December	345,249,800	345,199,800	50,463,256	50,450,491

* *The new Companies Act 2016 (the "Act"), which come into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM4,410,545 become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM4,410,545 for purposes as set out in Section 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.*

During the financial year, the Company issued 50,000 ordinary shares through the exercise of the Share Issuance Scheme ("SIS") Options at an issue price of RM0.183 each for cash consideration.

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.

17. Reserves

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Share premium	(a)	-	-	-	-
Warrant reserve	(b)	20,489,250	20,489,250	20,489,250	20,489,250
Other reserve	(c)	(20,489,250)	(20,489,250)	(20,489,250)	(20,489,250)
Share Issuance Scheme Option reserve	(d)	789,516	977,496	789,516	977,496
Foreign currency translation reserve	(e)	-	5,207	-	-
Accumulated losses		(24,136,811)	(24,812,580)	(18,098,211)	(12,550,867)
		(23,347,295)	(23,829,877)	(17,308,695)	(11,573,371)

17. Reserves (Cont'd)

(a) Share premium

	Group and Company 2018 RM	2017 RM
At 1 January	-	4,410,545
Transfer to share capital in accordance with Section 618(2) of the Companies Act, 2016	-	(4,410,545)
At 31 December	-	-

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of shares. As disclosed in Note 16, share premium has become part of the Company's share capital.

(b) Warrant reserve

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

During the financial year ended 31 December 2015, the Company issued renounceable rights issue of up to 138,956,400 new ordinary shares of RM0.10 each 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 ordinary 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 the financial year end, the total number of Warrants that remain unexercised were 135,690,400 (2017: 135,690,400).

(c) Other reserve

This represents fair value allocated to the detachable warrants issued in conjunction with rights issue refer to Note 17(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 29.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONT'D)

17. 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.

18. Finance Lease Liabilities

	Group and Company	
	2018 RM	2017 RM
Future minimum lease payments		
Within one year	86,549	96,477
Later than one year and not later than two years	36,084	50,465
Later than two years and not later than five years	11,996	-
	134,629	146,942
Less: Future finance charges	(5,834)	(5,689)
Present value of minimum lease payments	128,795	141,253
Present value of minimum lease payments		
Within one year	82,393	91,611
Later than one year and not later than two years	34,529	49,642
Later than two years and not later than five years	11,873	-
	128,795	141,253
Analysed as:		
Repayable within twelve months	82,393	91,611
Repayable after twelve months	46,402	49,642
	128,795	141,253

The finance lease liabilities are secured by a charge over the leased assets as disclosed in Note 4(b). The interest rate for the leases is ranging from 2.72% to 2.74% (2017: 2.72% to 3.50%) per annum.

19. Trade Payables

Credit terms of trade payables of the Group and Company is 30 days (2017: 30 to 90 days) depending on the terms of the contracts.

Included in trade payables of the Group is RM Nil (2017: RM1,781) due to an associate company. This amount is unsecured, non-interest bearing and is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONT'D)

20. Other Payables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	1,422,772	1,168,189	26,733	47,631
Accruals	341,374	232,521	83,038	67,819
Deposits received	-	793,096	-	-
Deferred revenue	314,062	275,057	-	-
Service tax payable	71,796	-	-	-
GST payable	-	87,937	-	34,684
	2,150,004	2,556,800	109,771	150,134

Included in other payables of the Group and the Company are RM2,432 (2017: RM2,911) and RM1,360 (2017: RM1,667) respectively due to a company in which certain directors has substantial financial interests.

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

21. Revenue

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Revenue from contracts with customers:				
Gross receivables from online sales	147,037,682	36,994,201	-	-
Less: Gross payables from online sales	(146,596,569)	(36,883,180)	-	-
Commission	441,113	111,021	-	-
Rendering of services	3,857,109	3,729,747	-	-
Sales of goods	174,069,831	138,890,194	-	-
Management fees	27,000	-	2,031,000	1,560,000
	178,395,053	142,730,962	2,031,000	1,560,000
Revenue from other sources:				
Interest income	131,676	108,335	131,676	108,335
Rental income	18,000	-	18,000	-
	149,676	108,335	149,676	108,335
	178,544,729	142,839,297	2,180,676	1,668,335

The timing of revenue recognition is at a point in time.

21. Revenue (Cont'd)

Breakdown of the Group's revenue from contract with customers:

	ICT Securities Business RM	E-Commerce Business RM	Digital Contents Business RM	Management Services RM	Total RM
2018					
Major goods and services:					
Gross receivables from online sales	-	147,037,682	-	-	147,037,682
Less: Gross payable from online sales	-	(146,596,569)	-	-	(146,596,569)
Commission	-	441,113	-	-	441,113
Rendering of services	517,368	794,597	2,545,144	-	3,857,109
Sales of goods	-	174,069,831	-	-	174,069,831
Management fees	-	-	-	27,000	27,000
Total revenue from contracts with customers	517,368	175,305,541	2,545,144	27,000	178,395,053
Geographical market:					
Malaysia	517,368	175,271,318	2,504,706	27,000	178,320,392
United States	-	-	28,279	-	28,279
Others	-	34,223	12,159	-	46,382
Total revenue from contracts with customers	517,368	175,305,541	2,545,144	27,000	178,395,053
Timing of revenue recognition:					
At a point in time	517,368	175,305,541	2,545,144	27,000	178,395,053
2017					
Major goods and services:					
Gross receivables from online sales	-	36,994,201	-	-	36,994,201
Less: Gross payable from online sales	-	(36,883,179)	-	-	(36,883,179)
Commission	-	111,022	-	-	111,022
Rendering of services	1,482,255	133,544	2,113,948	-	3,729,747
Sales of goods	-	138,890,193	-	-	138,890,193
Management fees	-	-	-	-	-
Total revenue from contracts with customers	1,482,255	139,134,759	2,113,948	-	142,730,962
Geographical market:					
Malaysia	1,482,255	139,128,658	2,055,500	-	142,666,413
United States	-	-	45,304	-	45,304
Others	-	6,101	13,144	-	19,245
Total revenue from contracts with customers	1,482,255	139,134,759	2,113,948	-	142,730,962
Timing of revenue recognition:					
At a point in time	1,482,255	139,134,759	2,113,948	-	142,730,962

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONT'D)

22. Finance Cost

	Group and Company 2018 RM	2017 RM
Interest expense on:		
Finance leases liabilities	8,075	10,939

23. Profit/(Loss) Before Tax

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

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Amortisation of development expenditures	335,255	140,674	-	-
Auditors' remuneration:				
Statutory:				
- current year	70,500	48,000	20,000	20,000
- under provision in prior year	180	-	-	-
Others:				
- current year	5,000	5,000	5,000	5,000
- under provision in prior year	-	5,000	-	5,000
Bad debts written off	306	-	-	-
Non-Executive Directors remuneration:				
- Fees	139,500	162,000	139,500	162,000
- Share-based payment	-	130,140	-	130,140
Depreciation of investment properties	50,000	85,207	50,000	50,000
Depreciation of property, plant and equipment	214,622	566,506	153,400	435,064
Development expenditures written off	-	400,000	-	400,000
Impairment losses on:				
- investment in subsidiary companies	-	-	4,058,425	-
- trade receivables	1,319	-	-	-
- amount due from subsidiary companies	-	-	29,412	-
Inventories written off	-	37,105	-	-
Property, plant and equipment written off	41,306	57,540	2	-
Rental of equipment	4,343	3,913	2,600	2,400
Rental of premises	355,513	572,598	124,800	258,864
Staff costs:				
- share-based payment	-	1,120,650	-	1,120,650
Loss on deregistration of a subsidiary company	-	-	2	-
(Gain)/Loss on disposal of investment in associate company	(4,952)	-	90,000	-
Gain on disposal of investment properties	-	(816,407)	-	-
Gain on disposal of property, plant and equipment	(20,932)	-	(19,707)	-
Gain on disposal of non-current assets held for sale	(1,572,000)	-	-	-
Loss/(Gain) in foreign exchange:				
- realised	(853)	572	(519)	(9)
- unrealised	29,099	47,055	(3)	156
Interest income	(147,516)	(113,788)	(131,676)	(108,335)
Rental income	(29,300)	(120,048)	(18,000)	-

24. Taxation

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Tax expenses recognised in profit or loss				
Current tax provision	101,068	146,098	-	-
Real property gain tax	72,000	27,400	-	-
(Over)/Under provision in prior years	(76,037)	25,607	-	-
Tax expenses for the financial year	97,031	199,105	-	-

Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) 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 profit/(loss) before taxation 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(Loss) before tax	560,562	(216,135)	(5,731,709)	(2,945,724)
At Malaysian statutory tax rate of 24% (2017: 24%)	134,535	(51,872)	(1,375,610)	(706,974)
Effect of different tax rate in other jurisdiction	9,820	(12,000)	-	-
Effect of income subject to real property gain tax	72,000	27,400	-	-
Income not subject to tax	(1,914,078)	(195,962)	(4,730)	-
Expenses not deductible for tax purposes	1,039,794	691,943	423,307	439,501
Deferred tax assets not recognised	942,329	3,695	957,033	373,261
Utilisation of previously unrecognised deferred tax assets	(110,322)	(289,706)	-	(105,788)
(Over)/Under provision of taxation in prior years	(76,037)	25,607	-	-
Overprovision of deferred taxation in prior year	(1,010)	-	-	-
Tax expense for the financial year	97,031	199,105	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONT'D)

24. Taxation (Cont'd)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unutilised capital allowances	883,239	878,091	582,455	507,776
Unutilised tax losses	16,139,234	12,606,349	11,263,765	7,385,380
	17,022,473	13,484,440	11,846,220	7,893,156

25. Earning/(Loss) Per Share

(a) Basic earning/(loss) per share

The basic earing/(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	
	2018 RM	2017 RM
Profit/(Loss) attributable to owners of the parent	463,531	(415,240)
Weighted average number of ordinary shares in issue		
Issued ordinary shares at 1 January	345,199,800	283,722,800
Effect of exercise of SIS options issued during the financial year	46,986	17,272,329
Weighted average number of ordinary shares at 31 December	345,246,786	300,995,129
Basic earning/(loss) per share(in sen)	0.13	(0.14)

(b) Diluted earning/(loss) per share

Diluted earning/(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	
	2018 RM	2017 RM
Profit/(Loss) attributable to ordinary shareholders	463,531	(415,240)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	345,246,786	300,995,129
Effect of share options on issue	1,366,088	6,733,733
Effect of conversion of Warrants	-	63,445,682
Weighted average number of ordinary shares at 31 December (diluted)	346,612,874	371,174,544
Diluted earning/(loss) per share(in sen)	0.13	(0.11)

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax liability	1,568	6,752	1,568	6,502
Deferred tax assets	(1,568)	(6,752)	(1,568)	(6,502)
	-	-	-	-

The movements and components of deferred tax liability and assets prior to offsetting are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax liability:				
Accelerated capital allowances				
At 1 January	6,752	34,960	6,502	18,350
Recognised in profit or loss	(5,184)	(28,208)	(4,934)	(11,848)
At 31 December	1,568	6,752	1,568	6,502
Deferred tax assets:				
Unutilised capital allowances				
At 1 January	6,502	32,468	6,502	18,350
Recognised in profit or loss	(4,934)	(25,966)	(4,934)	(11,848)
At 31 December	1,568	6,502	1,568	6,502
Unutilised tax losses				
At 1 January	250	2,492	-	-
Recognised in profit or loss	(250)	(2,242)	-	-
At 31 December	-	250	-	-
	1,568	6,752	1,568	6,502

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unutilised capital allowances	878,193	857,544	575,922	480,684
Unutilised tax losses	16,054,147	12,606,349	11,263,765	7,385,380
Taxable temporary differences	9,698	11,449	(6,534)	(20,547)
	16,942,038	13,475,342	11,833,153	7,845,517

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 2018 (CONT'D)

27. Staff Costs

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fee	7,099	122,880	-	-
Salaries and allowances	3,284,226	3,173,669	1,272,698	1,279,337
Defined contribution plans	366,143	352,715	188,403	153,977
Employee insurance system	2,130	-	846	-
Social security costs	18,631	25,377	7,401	9,122
Share-based payment expenses	-	1,120,650	-	1,120,650
Other benefits	109,724	129,042	70,491	65,398
Benefits-in-kind	39,833	38,300	32,633	31,100
	3,827,786	4,962,633	1,572,472	2,659,584
Less: staff costs capitalised into development expenditure	(873,996)	(1,118,311)	-	-
	2,953,790	3,844,322	1,572,472	2,659,584

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive Directors				
Salaries and allowances	1,022,500	720,000	710,000	420,000
Defined contribution plans	160,640	86,400	121,390	50,400
Employee insurance system	269	-	174	-
Social security costs	2,347	1,658	1,519	829
Share-based payment expenses	-	442,476	-	442,476
Benefits-in-kind	39,833	38,300	32,633	31,100
	1,225,589	1,288,834	865,716	944,805
Less: staff costs capitalised into development expenditure	(211,604)	(202,097)	-	-
	1,013,985	1,086,737	865,716	944,805

28. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	At 1 January RM	New finance lease RM	Financing cash flows RM	At 31 December RM
Group				
2018				
Finance lease liabilities	141,253	100,000	(112,458)	128,795
2017				
Amount due to associate company	2,779	-	(2,779)	-
Finance lease liabilities	256,626	-	(115,373)	141,253
	259,405	-	(118,152)	141,253
Company				
2018				
Amount due to subsidiary companies	-	-	4,385,559	4,385,559
Finance lease liabilities	141,253	100,000	(112,458)	128,795
	141,253	100,000	4,273,101	4,514,354
2017				
Amount due to subsidiary companies	1,167,529	-	(1,167,529)	-
Finance lease liabilities	256,626	-	(115,373)	141,253
	1,424,155	-	(1,282,902)	141,253

29. 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONT'D)

29. Share Issuance Scheme ("SIS") (Cont'd)

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

(c) The maximum number of new shares to be issued pursuant to the exercise of the SIS Options which may be granted under the SIS Shares shall not exceed thirty percent (30%) of the total issued and paid-up share capital (excluding treasury shares, if any) of the Company at any point of time throughout the duration of the SIS.

(d) The options granted may be exercised any time upon the satisfaction of vesting conditions of each offer.

(e) The SIS shall be in force for a period of five (5) years and the last day to exercise SIS Options is on 12 March 2020.

(f) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of and not less than 100 shares.

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

		Number of options over ordinary shares			
Date of offer	**Exercise price**	**At 1.1.2018**	**Exercised**	**Lapsed**	**At 31.12.2018**
24 March 2015	0.183	13,520,000	(50,000)	(2,550,000)	10,920,000

Number of share options exercisable as at 31 December 2018 is 10,920,000 (2017: 13,520,000). The weighted average share price at the date of exercise for the financial year was RM0.183 (2017: RM0.183) per share option.

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

SIS Options	**Weighted average exercise price**		**Exercise period**
	2018 RM	**2017 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:

	2018 RM	**2017 RM**
Fair value at grant date:		
24 March 2015	0.0723	0.0723
Weighted average share price	0.228	0.228
Weighted average exercise price	0.183	0.183
Expected volatility (%)	162.64	162.64
Expected life (years)	5 years	5 years
Risk free rate (%)	3.736	3.736
Expected dividend yield (%)	Nil	Nil

29. 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.

30. 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:

	2018 RM	2017 RM
Group		
Transactions with companies in which certain Directors have substantial financial interests		
Provision of services	-	53,000
Rental income received/receivable	12,000	60,000
Rental of premises paid/payable	318,331	448,947
Services rendered	10,400	184,000
Company		
Transactions with subsidiary companies		
Management fee	2,004,000	1,560,000
Transactions with a former associate company		
Management fee	27,000	-
Transactions with companies in which a Director of the Company has substantial financial interests		
Rental income received/receivable	-	12,000
Rental of premises paid/payable	124,800	258,864

30. 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, fees and other emoluments	1,558,419	1,608,537	1,025,800	995,083
Share-based payment expenses	-	864,708	-	864,708
Social security costs	4,626	5,016	2,486	3,359
Employee insurance system	529	-	284	-
Defined contributions plan	207,263	157,512	142,450	99,972
Benefits-in-kind	39,833	38,300	32,633	31,100
	1,810,670	2,674,073	1,203,653	1,994,222
Less: staff costs capitalised into development expenditure	(438,499)	(393,745)	-	-
	1,372,171	2,280,328	1,203,653	1,994,222

31. 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 of online marketplace which caters for business to business (b2b) and business to customer (b2c) transactions and operations of e-commerce platform.
Digital Contents Business	Provides e-media technologies and solutions for digital media industries and contents aggregation, development of mobile applications, games and portals.
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.

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONT'D)

31. Segment Information (Cont'd)

	ICT Securities Business RM	E-Commerce Business RM	Digital Contents Business RM	Management Services RM	Eliminations RM	Per consolidated financial statements RM
2018						
Revenue						
External customers	517,368	175,305,541	2,545,144	176,676	-	178,544,729
Inter segment	256,702	704	39,974	2,004,000	(2,301,380)	-
Total revenue	774,070	175,306,245	2,585,118	2,180,676	(2,301,380)	178,544,729
Segment results						
Interest income	2,765	11,925	1,150	-	-	15,840
Finance costs	-	-	-	(8,075)	-	(8,075)
Depreciation and amortisation	(14,420)	(160,260)	(221,797)	(203,400)	-	(599,877)
Other non-cash item	1,571,053	(44,855)	(25,004)	(4,128,719)	4,153,379	1,525,854
Segments profit/(loss) before tax	892,627	(707,913)	877,335	(5,731,709)	5,230,222	560,562
Assets						
Addition to property, plant and equipment	2,620	-	-	209,129	-	211,749
2017						
Revenue						
External customers	1,482,255	139,134,759	2,113,948	108,335	-	142,839,297
Inter segment	294,437	2,970	-	1,560,000	(1,857,407)	-
Total revenue	1,776,692	139,137,729	2,113,948	1,668,335	(1,857,407)	142,839,297
Segment results						
Interest income	1,267	3,170	1,016	-	-	5,453
Finance costs	-	-	-	(10,939)	-	(10,939)
Depreciation	(62,404)	(85,269)	(159,650)	(485,064)	-	(792,387)
Other non-cash item	816,340	(140,565)	(912)	(1,650,946)	-	(976,083)
Segments profit/(loss) before tax	766,367	1,378,620	639,611	(2,945,724)	(55,009)	(216,135)
Assets						
Addition to property, plant and equipment	-	-	-	10,246	-	10,246

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONT'D)

31. 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	
	2018	**2017**
	RM	**RM**
Bad debts written off	(306)	-
Development expenditures written off	-	(400,000)
Gain on disposal of non-current assets held for sale	1,572,000	-
Gain on disposal of investment properties	-	816,407
Gain on disposal of property, plant and equipment	20,932	-
Impairment loss on trade receivables	(1,319)	-
Inventories written off	-	(37,105)
Gain on disposal of investment in associate company	4,952	-
Property, plant and equipment written off	(41,306)	(57,540)
Share-base payment	-	(1,250,790)
Unrealised loss on foreign exchange	(29,099)	(47,055)
	1,525,854	(976,083)

(c) Geographic information

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

	Group	
	2018	**2017**
	RM	**RM**
Malaysia	178,470,068	142,774,748
United States	28,279	45,304
Others	46,382	19,245
	178,544,729	142,839,297

(d) Major customers

Major customers' information are revenues from transactions with a single external customer amount to ten percent or more of the Group revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer, and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

The following are major customers with revenue equal or more than 10% of the Group's total revenue arising from:

	Group	
	2018	**2017**
Group	**RM**	**RM**
- Customer A	20,459,179	27,147,912
- Customer B	-	19,530,417
	20,459,179	46,678,329

32. 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:

	At amortised cost RM
Group	
2018	
Financial assets	
Trade receivables	16,286,449
Other receivables	1,565,378
Fixed deposits with licensed banks	4,048,058
Cash and bank balances	2,961,189
	24,861,074
Financial liabilities	
Trade payables	1,373,966
Other payables	1,764,146
Finance lease liabilities	128,795
	3,266,907
Company	
2018	
Financial assets	
Other receivables	81,054
Amount due from subsidiary companies	15,125,046
Fixed deposits with licensed banks	4,048,058
Cash and bank balances	839,693
	20,093,851
Financial liabilities	
Other payables	109,771
Amount due to subsidiary companies	4,385,559
Finance lease liabilities	128,795
	4,624,125

32. Financial Instruments (Cont'd)

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

	Loans and receivables RM	Other financial liabilities measured at amortised cost RM	Total RM
Group			
2017			
Financial assets			
Trade receivables	98,638,500	-	98,638,500
Other receivables	896,781	-	896,781
Fixed deposits with licensed banks	5,041,351	-	5,041,351
Cash and bank balances	15,493,822	-	15,493,822
	120,070,454	-	120,070,454
Financial liabilities			
Trade payables	-	96,772,250	96,772,250
Other payables	-	2,193,806	2,193,806
Finance lease liabilities	-	141,253	141,253
	-	99,107,309	99,107,309
Company			
2017			
Financial assets			
Other receivables	218,184	-	218,184
Amount due from subsidiary companies	4,040,422	-	4,040,422
Fixed deposits with licensed banks	5,041,351	-	5,041,351
Cash and bank balances	7,861,553	-	7,861,553
	17,161,510	-	17,161,510
Financial liabilities			
Other payables	-	115,450	115,450
Finance lease liabilities	-	141,253	141,253
	-	256,703	256,703

(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.

32. Financial Instruments (Cont'd)

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

(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. There are no significant changes as compared to prior periods.

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. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

At each reporting date, the Group and the Company assess whether any if the receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

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 has no significant concentration of credit risk as its exposure spread over a large number of customers. The Company has no significant concentration of credits risks except for loans 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONT'D)

32. Financial Instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

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.

	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					
2018					
Non-derivative financial liabilities					
Trade payables	1,373,966	-	-	1,373,966	1,373,966
Other payables	1,764,146	-	-	1,764,146	2,150,004
Finance lease liabilities	86,549	36,084	11,996	134,629	128,795
	3,224,661	36,084	11,996	3,272,741	3,652,765
2017					
Non-derivative financial liabilities					
Trade payables	96,772,250	-	-	96,772,250	96,772,250
Other payables	2,193,806	-	-	2,193,806	2,556,800
Finance lease liabilities	96,477	50,465	-	146,942	141,253
	99,062,533	50,465	-	99,112,998	99,470,303
Company					
2018					
Non-derivative financial liabilities					
Other payables	109,771	-	-	109,771	109,771
Amount due to					-
subsidiary companies	4,385,559	-	-	4,385,559	4,385,559
Finance lease liabilities	86,549	36,084	11,996	134,629	128,795
	4,581,879	36,084	11,996	4,629,959	4,624,125
2017					
Non-derivative financial liabilities					
Other payables	115,450	-	-	115,450	150,134
Finance lease liabilities	96,477	50,465	-	146,942	141,253
	211,927	50,465	-	262,392	291,387

32. 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), Thai Bhat (THB), Myanmar Dollar (KYAT), Chinese Renminbi (RMB) and Indonesia Rupiah (IDR).

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	THB RM	KYAT RM	RMB RM	IDR RM	Total RM
Group								
2018								
Cash and bank balances	1,721	14,018	-	-	475	-	-	16,214
Trade receivables	11,295	-	-	-	-	-	-	11,295
	13,016	14,018	-	-	475	-	-	27,509
2017								
Cash and bank balances	13,369	88,605	3,087	14,587	475	5,933	2,491	128,547
Trade receivables	6,611	-	-	-	-	-	-	6,611
	19,980	88,605	3,087	14,587	475	5,933	2,491	135,158
Company								
2018								
Cash and bank balances	-	14,018	-	-	-	-	-	14,018
2017								
Cash and bank balances	148	-	2,503	14,587	-	-	-	17,238

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONT'D)

32. 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, THB, KYAT, RMB and IDR exchange rates against RM, with all other variables held constant.

	Change in currency rate RM	2018 Effect on profit before tax RM	Change in currency rate RM	2017 Effect on loss before tax RM
Group				
USD	Strengthened 1%	130	Strengthened 1%	200
	Weakened 1%	(130)	Weakened 1%	(200)
AUD	Strengthened 1%	140	Strengthened 1%	886
	Weakened 1%	(140)	Weakened 1%	(886)
SGD	Strengthened 1%	-	Strengthened 1%	31
	Weakened 1%	-	Weakened 1%	(31)
THB	Strengthened 1%	-	Strengthened 1%	146
	Weakened 1%	-	Weakened 1%	(146)
KYAT	Strengthened 1%	5	Strengthened 1%	5
	Weakened 1%	(5)	Weakened 1%	(5)
RMB	Strengthened 1%	-	Strengthened 1%	59
	Weakened 1%	-	Weakened 1%	(59)
IDR	Strengthened 1%	-	Strengthened 1%	25
	Weakened 1%	-	Weakened 1%	(25)

	Change in currency rate RM	2018 Effect on loss before tax RM	Change in currency rate RM	2017 Effect on loss before tax RM
Company				
USD	Strengthened 1%	-	Strengthened 1%	1
	Weakened 1%	-	Weakened 1%	(1)
AUD	Strengthened 1%	140	Strengthened 1%	-
	Weakened 1%	(140)	Weakened 1%	-
SGD	Strengthened 1%	-	Strengthened 1%	25
	Weakened 1%	-	Weakened 1%	(25)
THB	Strengthened 1%	-	Strengthened 1%	146
	Weakened 1%	-	Weakened 1%	(146)

The Group's exposure to sensitivity of currency risk is insignificant as the transactional currencies are mostly in the functional currencies of the respective operating entities.

32. Financial Instruments (Cont'd)

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

(iii) Market risks (Cont'd)

(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.

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 and Company	
	2018	**2017**
	RM	**RM**
Fixed rate instruments		
Financial assets	4,048,058	5,041,351
Financial liabilities	(128,795)	(141,253)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONT'D)

32. Financial Instruments (Cont'd)

(c) Fair value of financial instruments (Cont'd)

	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				
2018				
Financial liabilities (Non-current)				
Finance lease liabilities	-	44,991	-	46,402
Group and Company				
2017				
Financial liabilities (Non-current)				
Finance lease liabilities	-	47,893	-	49,642

(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).

Non-derivative financial instruments
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.

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.

33. Capital Management (Cont'd)

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Total loans and borrowings	128,795	141,253	128,795	141,253
Less: Cash and cash equivalents	(7,009,247)	(20,535,173)	(4,887,751)	(12,902,904)
Excess funds	(6,880,452)	(20,393,920)	(4,758,956)	(12,761,651)
Shareholders' equity	27,115,961	26,620,614	33,154,561	38,877,120
Gearing ratio	*	*	*	*

* *Gearing ratio not applicable to the Group and the Company as the cash and cash equivalents as at 31 December 2018 and 31 December 2017 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.

The Group and the Company are not subject to any externally imposed capital requirements.

34. Significant Events

Proposed listing of subsidiary companies on the Australian Securities Exchange

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 ("Subsidiary Companies") on the Australian Securities Exchange ("ASX") via an investment holding company to be incorporated in Australia ("Proposed Listing").

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 AUD113,749 (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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONT'D)

34. Significant Events (Cont'd)

Proposed listing of subsidiary companies on the Australian Securities Exchange (Cont'd)

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.

On 14 May 2018, AppAsia decided not to proceed with the Proposed Listing.

Proposed reduction of share capital

On 1 October 2018, the Company announced to Bursa Malaysia Securities Berhad, a proposal to implement a Corporate Exercise. The details of the corporate exercise are as follows:

- proposed reduction of up to RM24,000,000 from the issued and paid up share capital of AppAsia pursuant to Section 116 of the Companies Act, 2016.

On 9 November 2018, the Company had via Extraordinary General Meeting to get the authority and approval from shareholders to reduce the share capital.

On 18 December 2018, the Company had via its legal counsel filed a petition to the High Court of Malaya, Kuala Lumpur in relation to the Proposed Share Capital Reduction.

On 6 March 2019, the Company had granted an order from High Court of Malaya confirming the Share Capital Reduction. The sealed order will be extracted and an office copy of the order will be lodged with the Companies Commission of Malaysia for the Share Capital Reduction to take effect.

On 11 March 2019, an office copy of the sealed order of the High Court of Malaya confirming the Share Capital Reduction has been lodged with Companies Commission of Malaysia. Pursuant thereto, the Share Capital Reduction shall therefore take effect and be deemed completed.

35. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 March 2019.