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 2019.

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 8 to the financial statements.

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

Financial Results

	Group RM	Company RM
Net loss for the financial year, attributable to owners of the parent	261,782	849,734

Reserves and Provisions

On 11 March 2019, the Company has undertaken a reduction of RM24,000,000 of the issued share capital ("Capital Reduction Exercise") pursuant to Section 116 of the Companies Act 2016. RM24,000,000 credit arising from such cancellation was being utilised to set-off against the accumulated losses of the Company.

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

There was no issuance of shares or debentures during the financial year.

Treasury Shares

During the financial year, the Company repurchased a total of 3,501,300 of its issued share capital from the open market. At an average price of RM0.09 per share. The total consideration paid for the repurchase was RM317,120. The repurchased transactions were financed by internally-generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(4) of the Companies Act 2016.

As at 31 December 2019, the total shares held as treasury shares amounted to 3,501,300 ordinary shares at a total cost of RM317,120. Further relevant details are disclosed in Note 16 to the financial statements.

DIRECTORS' REPORT (CONT'D)

Warrant Reserve

The Warrants were constituted under the Deed Poll dated 19 November 2014 as disclosed in the Note 18(a) to the financial statements.

As at 31 December 2019, the total numbers of Warrants that remain unexercised were 135,690,400.

Options Granted Over Unissued Shares

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

At an extraordinary general meeting held on 15 November 2014, the Company's shareholders approved the establishment of SIS of not more than 30% of the issued and paid-up share capital of the Company at the point of time throughout the duration of the scheme to eligible Directors and employees of the Group. The salient features and other terms of the SIS are disclosed in the Note 31 to the financial statements.

As at 31 December 2019, 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 1.1.2019**	**Exercised**	**Lapsed**	**At 31.12.2019**
24 March 2015	0.183	10,920,000	-	-	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
Tiew Chee Ming*

** Director of the Company and its subsidiary companies*

The Directors who held in office in the subsidiary companies (excluding Directors who are also Directors of the Company) during the financial year up to the date of this report:

Kua Kok Keong
Ng Wai Leong (resigned on 23.4.2019)

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' REPORT (CONT'D)

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 1.1.2019	**Acquired**	**Sold**	**At 31.12.2019**
Interests in the Company				
Direct interests				
Toh Hong Chye	31,266,700	15,634,600	-	46,901,300
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	-	-	42,000,000
Yong Mai Fang #	42,000,000	-	-	42,000,000

	Number of Warrants			
	At 1.1.2019	**Acquired**	**Sold**	**At 31.12.2019**
Interests in the Company				
Direct interests				
Toh Hong Chye	-	4,250,000	-	4,250,000
Wong Ngai Peow	1,500	-	-	1,500

	Number of options over ordinary shares			
	At 1.1.2019	**Granted/ Vested**	**Exercised**	**At 31.12.2019**
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/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 32(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 32(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 adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and

    (ii) to ensure that any current assets which were unlikely to 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 it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

    (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

    (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

    (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

    (i) any charge on the assets of the Group 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 8 to the financial statements.

Auditors' Remuneration

The details of auditors' remuneration are set out in Note 25 to the financial statements.

Significant Event

The details of the significant event are disclosed in Note 36 to the financial statements.

Subsequent Event

The details of subsequent event are disclosed in Note 37 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 21 May 2020

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 48 to 117 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 2019 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 21 May 2020

TOH HONG CHYE

WONG NGAI PEOW

KUALA LUMPUR

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Toh Hong Chye, being the Director primarily responsible for the financial management of AppAsia Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 48 to 117 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 21 May 2020)

TOH HONG CHYE

Before me,

NO. W710
MOHAN A.S. MANIAM

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF APPASIA BERHAD

[REGISTRATION NO.: 200401005180 (643683-U)]
(INCORPORATED IN MALAYSIA)

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 2019 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 48 to 117.

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 2019, 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**
Trade receivables 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: • 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 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.

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

[REGISTRATION NO.: 200401005180 (643683-U)]
(INCORPORATED IN MALAYSIA)

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.

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 the 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.

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

[REGISTRATION NO.: 200401005180 (643683-U)]
(INCORPORATED IN MALAYSIA)

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

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: (Cont'd)

- 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.

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.

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

YEOH AIK CHUAN
Approved Number: 02239/07/2020 J
Chartered Accountant

KUALA LUMPUR

21 May 2020

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Non-Current Assets					
Property, plant and equipment	4	515,390	436,665	307,136	398,114
Investment properties	5	2,302,167	2,352,167	2,302,167	2,352,167
Right-of-use assets	6	108,805	-	108,805	-
Intangible assets	7	2,839,082	1,684,135	-	-
Investment in subsidiary companies	8	-	-	14,683,670	14,348,077
		5,765,444	4,472,967	17,401,778	17,098,358
Current Assets					
Inventories	9	155,310	152,009	-	-
Trade receivables	10	13,774,652	16,286,449	-	-
Other receivables	11	828,218	2,390,833	104,623	667,531
Amount due from subsidiary companies	12	-	-	13,948,231	15,125,046
Tax recoverable		96,045	457,289	-	-
Fixed deposits with licensed banks	13	-	4,048,058	-	4,048,058
Cash and bank balances	14	10,826,391	2,961,189	1,893,390	839,693
Assets classified as held for sale	15	-	-	-	-
		25,680,616	26,295,827	15,946,244	20,680,328
Total Assets		31,446,060	30,768,794	33,348,022	37,778,686
Equity					
Share capital	16	26,463,256	50,463,256	26,463,256	50,463,256
Treasury shares	17	(317,120)	-	(317,120)	-
Reserves	18	390,923	(23,347,295)	5,841,571	(17,308,695)
Total Equity		26,537,059	27,115,961	31,987,707	33,154,561
Non-Current Liabilities					
Finance lease liabilities	19	-	46,402	-	46,402
Lease liabilities	20	11,873	-	11,873	-
		11,873	46,402	11,873	46,402
Current Liabilities					
Trade payables	21	211,526	1,373,966	-	-
Other payables	22	4,608,877	2,150,004	62,401	109,771
Amount due to subsidiary companies	12	-	-	1,229,312	4,385,559
Finance lease liabilities	19	-	82,393	-	82,393
Lease liabilities	20	34,529	-	34,529	-
Tax payable		42,196	68	22,200	-
		4,897,128	3,606,431	1,348,442	4,577,723
Total Liabilities		4,909,001	3,652,833	1,360,315	4,624,125
Total Equity and Liabilities		31,446,060	30,768,794	33,348,022	37,778,686

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 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	23	91,400,957	178,544,729	1,738,112	2,180,676
Cost of sales		(87,260,130)	(173,512,375)	-	-
Gross profit		4,140,827	5,032,354	1,738,112	2,180,676
Other income		230,987	1,663,094	51,131	20,629
Administrative expenses		(4,318,012)	(6,093,967)	(2,401,673)	(7,895,527)
Net loss on impairment of financial instruments		(8,313)	(1,319)	(187,734)	(29,412)
Profit/(Loss) from operation		45,489	600,162	(800,164)	(5,723,634)
Finance cost	24	(4,293)	(8,075)	(4,293)	(8,075)
Share of result of an associate company		-	(31,525)	-	-
Profit/(Loss) before tax	25	41,196	560,562	(804,457)	(5,731,709)
Taxation	26	(302,978)	(97,031)	(45,277)	-
Net (loss)/profit for the financial year		(261,782)	463,531	(849,734)	(5,731,709)
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operation		-	22,954	-	-
Total comprehensive (loss)/income for the financial year		(261,782)	486,485	(849,734)	(5,731,709)
(Loss)/Profit for the financial year, attributable to owners of the parent		(261,782)	463,531	(849,734)	(5,731,709)
Total comprehensive (loss)/income attributable to owners of the parent		(261,782)	486,485	(849,734)	(5,731,709)
(Loss)/Earning per share					
Basic (loss)/earning per share (sen)	27(a)	(0.08)	0.13		
Diluted (loss)/earning per share (sen)	27(b)	(0.08)	0.13		

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to the Owners of the Parent						
		Non-Distributable						
Group	Note	Share Capital RM	Treasury Shares RM	Warrant Reserve RM	Other Reserve RM	Share Issuance Scheme Option Reserve RM	Accumulated Losses RM	Total Equity RM
At 1 January 2019		50,463,256	-	20,489,250	(20,489,250)	789,516	(24,136,811)	27,115,961
Net loss for the financial year, representing total comprehensive loss for the financial year		-	-	-	-	-	(261,782)	(261,782)
Transactions with owners:								
Capital reduction	16	(24,000,000)	-	-	-	-	24,000,000	-
Shares repurchased	17	-	(317,120)	-	-	-	-	(317,120)
Total transactions with owners		(24,000,000)	(317,120)	-	-	-	24,000,000	(317,120)
At 31 December 2019		26,463,256	(317,120)	20,489,250	(20,489,250)	789,516	(398,593)	26,537,059

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

		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	18	-	-	-	(184,365)	-	184,365	-
Exercise of SIS options	16,18	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 2019 (CONT'D)

		Attributable to the Owners of the Parent						
		Non-Distributable						
Group	**Note**	**Share Capital RM**	**Treasury Shares RM**	**Warrant Reserve RM**	**Other Reserve RM**	**Share Issuance Scheme Option Reserve RM**	**(Accumulated Losses)/ Retained Earnings RM**	**Total Equity RM**
At 1 January 2019		50,463,256	-	20,489,250	(20,489,250)	789,516	(18,098,211)	33,154,561
Net loss for the financial year, representing total comprehensive loss for the financial year		-	-	-	-	-	(849,734)	(849,734)
Transactions with owners:								
Capital reduction	16	(24,000,000)	-	-	-	-	24,000,000	-
Shares repurchased	17	-	(317,120)	-	-	-	-	(317,120)
Total transactions with owners		(24,000,000)	(317,120)	-	-	-	24,000,000	(317,120)
At 31 December 2019		26,463,256	(317,120)	20,489,250	(20,489,250)	789,516	5,052,055	31,987,707

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (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	18	-	-	-	(184,365)	184,365	-
Exercise of SIS options	16,18	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

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash Flows From Operating Activities					
Profit/(Loss) before tax		41,196	560,562	(804,457)	(5,731,709)
Adjustments for:					
Amortisation of intangible assets					
- intangible assets		633,720	335,255	-	-
- right-of-use assets		81,933	-	81,933	-
Bad debts written off		-	306	184,033	-
Depreciation of					
- investment properties		50,000	50,000	50,000	50,000
- property, plant and equipment		121,084	214,622	76,480	153,400
Impairment losses on:					
- amount due from subsidiary companies		-	-	187,734	29,412
- investment in subsidiary companies		-	-	-	4,058,425
- trade receivables		8,313	1,319	-	-
Interest expenses		4,293	8,075	4,293	8,075
Property, plant and equipment written off		2,463	41,306	805	2
Share of result of an associate company		-	31,525	-	-
(Gain)/Loss on disposal of a subsidiary company		(20,000)	-	144,407	-
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 non-current assets held for sales		-	(1,572,000)	-	-
Gain on disposal of property, plant and equipment		(52,926)	(20,932)	(51,095)	(19,707)
Unrealised loss/(gain) on foreign exchange		145	29,099	-	(3)
Interest income		(175,538)	(147,516)	(168,962)	(131,676)
Operating (loss)/profit before working capital changes		694,683	(473,331)	(294,829)	(1,493,779)
Changes in working capital:					
Inventories		(3,301)	26,938	-	-
Receivables		4,066,099	81,817,571	562,908	262,591
Payables		1,272,713	(95,805,080)	(66,037)	(40,363)
Subsidiary companies		-	-	799,800	(94,000)
		5,335,511	(13,960,571)	1,296,671	128,228
Cash generated from/(used in) operations		6,030,194	(14,433,902)	1,001,842	(1,365,551)
Interest paid		(4,293)	(8,075)	(4,293)	(8,075)
Interest received		175,538	147,516	168,962	131,676
Tax paid		(352,865)	(576,190)	(23,077)	-
Tax refund		453,259	33,415	-	-
Net cash generated from/(used in) operating activities		6,301,833	(14,837,236)	1,143,434	(1,241,950)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash Flows From Investing Activities					
Acquisition of investment in a subsidiary company		-	-	(500,000)	-
Additions to development expeditures		(1,266,557)	(953,264)	-	-
Net cash outflow from acquisition of a subsidiary company	7(a)	(498,390)	-	-	-
Repayment from/(Advances to) subsidiary companies		-	-	23,915	(11,020,036)
Purchase of property, plant and equipment	4(a)	(499,794)	(111,749)	(266,950)	(109,129)
Proceeds from disposal of subsidiary company		20,000	-	20,000	-
Proceeds from disposal of associate company		-	10,000	-	10,000
Proceeds from disposal of property, plant and equipment		159,710	75,776	141,000	63,708
Proceeds from disposal of non-current assets held for sales		-	2,400,000	-	-
Net cash (used in)/generated from investing activities		(2,085,031)	1,420,763	(582,035)	(11,055,457)
Cash Flows From Financing Activities					
(Repayment to)/Advances from subsidiary companies		-	-	(3,156,247)	4,385,559
Proceeds from exercises of SIS Options		-	9,150	-	9,150
Repayment of finance lease liabilities		-	(112,458)	-	(112,458)
Payment of lease liabilities		(82,393)	-	(82,393)	-
Purchase of treasury shares		(317,120)	-	(317,120)	-
Net cash (used in)/generated from financing activities		(399,513)	(103,308)	(3,555,760)	4,282,251
Net increase/(decrease) in cash and cash equivalents		3,817,289	(13,519,781)	(2,994,361)	(8,015,156)
Effect of exchange translation differences on cash and cash equivalents		(145)	(6,145)	-	3
Cash and cash equivalents at the beginning 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		10,826,391	7,009,247	1,893,390	4,887,751
Cash and cash equivalents at the end of the financial year comprises:					
Fixed deposits with licensed banks		-	4,048,058	-	4,048,058
Cash and bank balances		10,826,391	2,961,189	1,893,390	839,693
		10,826,391	7,009,247	1,893,390	4,887,751

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

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 8. 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 16	Leases
IC Interpretations 23	Uncertainty over Income Tax Treatment
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement
Amendments to MFRS 128	Long-term interests in Associate and Joint Ventures
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property
Annual Improvements to MFRSs 2015 - 2017 Cycle	Amendments to MFRS 3 Amendments to MFRS 11 Amendments to MFRS 112 Amendments to MFRS 123

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

<u>MFRS 16 *Leases*</u>

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determine whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives and* IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 *Leases* (Cont'd)

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 Leases are no longer required. MFRS 16 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 ("ROU") 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 ROU 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.

The ROU 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.

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

Impact arising from the adoption of MFRS 16 on the financial statements:

Statements of Financial Position

	As at 31.12.2018 RM	MFRS 16 adjustments RM	As at 1.1.2019 RM
Group			
Property, plant and equipment	436,665	(280,361)	156,304
Right-of-use assets	-	280,361	280,361
Finance lease liabilities	128,795	(128,795)	-
Lease liabilities	-	128,795	128,795
Company			
Property, plant and equipment	398,114	(280,361)	117,753
Right-of-use assets	-	280,361	280,361
Finance lease liabilities	128,795	(128,795)	-
Lease liabilities	-	128,795	128,795

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONT'D)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs, 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
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 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
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 above-mentioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company.

(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

There are no significant areas of critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty

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

Useful lives/amortisation of property, plant and equipment, investment properties and right-of-use assets

The Group regularly reviews the estimated useful lives of property, plant and equipment, investment properties and right-of-use assets 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, investment properties and right-of-use assets are disclosed in Notes 4, 5 and 6 respectively.

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 7.

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 7.

Amortisation of intangible assets

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 intangible assets is disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

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.

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 judgement, 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.

Provision for expected credit loss of financial assets at amortised cost

The Group reviews 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 Note 10.

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 18(c) and 31 respectively.

Income taxes

Judgement 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 2019, the Group has tax recoverable and payable of RM96,045 (2018: RM457,289) and RM42,196 (2018: RM68) respectively. The Company has tax payable of RM22,200 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

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.

Acquisition-related costs are expensed 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 instrument 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(l)(i) on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

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

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

(iii) Disposal of subsidiary companies

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

(iv) Goodwill on consolidation

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

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

(b) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(b) Foreign currency translation (Cont'd)

(i) Foreign currency transactions and balances (Cont'd)

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

(ii) Foreign operations

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the 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.

(c) Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONT'D)

3. Significant Accounting Policies (Cont'd)

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

(i) Recognition and measurement (Cont'd)

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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 end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(d) Leases

Policy applicable from 1 January 2019

(a) As lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

Policy applicable from 1 January 2019 (Cont'd)

(a) As lessee (Cont'd)

The right-of-use asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) to the financial statements.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

(b) As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. 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.

If the lease arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

Policy applicable before 1 January 2019

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

As lessee

(i) Finance lease

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

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

(ii) Operating lease

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

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

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

As lessor

Leases in which the Group or the Company do 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.

3. Significant Accounting Policies (Cont'd)

(e) Investment properties

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

The carrying amount includes the cost of replacing part of an existing investment 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 property.

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(l)(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.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(f) Intangible assets (Cont'd)

(ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(iii) 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(l)(i) to the financial statements on impairment of non-financial assets for intangible assets.

(g) Financial assets

Financial assets are recognised in 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.

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

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.

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

3. Significant Accounting Policies (Cont'd)

(g) Financial assets (Cont'd)

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.

(h) Financial liabilities

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.

(i) 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.

(j) 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.

(k) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(l) Impairment of assets

(i) Non-financial assets

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

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 the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

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

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.

3. Significant Accounting Policies (Cont'd)

(m) Share capital

(i) Ordinary shares

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

(ii) Treasury shares

When issued share of the Company are repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity as treasury shares until the shares are cancelled, reissued or disposed of. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is deducted against the retained earnings of the Company.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration, net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(n) 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. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

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

(ii) Defined contribution plans

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(n) 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.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(o) Revenue recognition (Cont'd)

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

The Group recognises revenue from the following major sources (Cont'd):

(a) Sale of goods (Cont'd)

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.

(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.

(d) Financing income

Financing income is accounted for on an accrual basis by reference to rest periods as stipulated in the loan agreements.

(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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(p) Borrowing costs

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

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

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

(q) Income taxes

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

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(r) Segment reporting

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

(s) Contingencies

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

(t) 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.

(u) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

4. Property, Plant and Equipment

	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
Group						
2019						
Cost						
At 1 January 2019	187,867	183,738	510,921	432,075	756,751	2,071,352
Effect of adopting MFRS 16	-	-	-	(432,075)	-	(432,075)
At 1 January 2019, as restated	187,867	183,738	510,921	-	756,751	1,639,277
Additions	43,480	8,141	7,799	252,000	188,374	499,794
Disposals	(59,288)	(58,097)	(35,066)	-	(5,500)	(157,951)
Written off	(1,750)	(17,033)	(36,876)	-	(134,584)	(190,243)
At 31 December 2019	170,309	116,749	446,778	252,000	805,041	1,790,877
Accumulated depreciation						
At 1 January 2019	121,860	135,346	489,392	151,714	736,375	1,634,687
Effect of adopting MFRS 16	-	-	-	(151,714)	-	(151,714)
At 1 January 2019, as restated	121,860	135,346	489,392	-	736,375	1,482,973
Charge for the financial year	33,059	24,808	17,636	4,201	41,380	121,084
Disposals	(46,728)	(54,337)	(34,775)	-	(4,950)	(140,790)
Written off	(1,604)	(14,720)	(36,872)	-	(134,584)	(187,780)
At 31 December 2019	106,587	91,097	435,381	4,201	638,221	1,275,487
Carrying amount						
At 31 December 2019	63,722	25,652	11,397	247,799	166,820	515,390

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

	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
Group						
2018						
Cost						
At 1 January 2018	290,056	242,147	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	187,867	183,738	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	66,007	48,392	21,529	280,361	20,376	436,665

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

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

	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
Company						
2019						
Cost						
At 1 January 2019	126,829	94,322	280,386	432,075	635,597	1,569,209
Effect of adopting MFRS 16	-	-	-	(432,075)	-	(432,075)
At 1 January 2019, as restated	126,829	94,322	280,386	-	635,597	1,137,134
Additions	-	-	-	252,000	14,950	266,950
Disposals	-	-	(3,388)	-	-	(3,388)
Written off	-	(3,233)	(25,131)	-	(18,930)	(47,294)
At 31 December 2019	126,829	91,089	251,867	252,000	631,617	1,353,402
Accumulated depreciation						
At 1 January 2019	79,046	58,019	265,720	151,714	616,596	1,171,095
Effect of adopting MFRS 16	-	-	-	(151,714)	-	(151,714)
At 1 January 2019, as restated	79,046	58,019	265,720	-	616,596	1,019,381
Charge for the financial year	25,366	17,580	11,104	4,201	18,229	76,480
Disposals	-	-	(3,106)	-	-	(3,106)
Written off	-	(2,430)	(25,129)	-	(18,930)	(46,489)
At 31 December 2019	104,412	73,169	248,589	4,201	615,895	1,046,266
Carrying amount						
At 31 December 2019	22,417	17,920	3,278	247,799	15,722	307,136

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

	Furniture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Aggregate costs	499,794	211,749	266,950	209,129
Less: Finance lease financing	-	(100,000)	-	(100,000)
Cash payments	499,794	111,749	266,950	109,129

(b) Assets held under finance leases

As at 31 December 2018, the net carrying amount of leased motor vehicles of the Group and of the Company was RM280,361. Leased assets are pledged as securities for the related finance lease liabilities as disclosed in Note 19.

Following the adoption of MFRS 16 on 1 January 2019, the Group had reclassified the carrying amount of leased assets to right-of-use assets (Note 6).

5. Investment Properties

	Group and Company	
	2019 RM	**2018 RM**
Freehold land and buildings:		
Cost		
At 1 January/31 December	2,500,000	2,500,000
Accumulated depreciation		
At 1 January	147,833	97,833
Charge for the financial year	50,000	50,000
At 31 December	197,833	147,833
Carrying amount		
At 31 December	2,302,167	2,352,167
Fair value of investment properties		
At 31 December	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 the latest available market information and recent experience and knowledge in the location and category property being valued. The fair values are within Level 3 of the fair value hierarchy.

5. Investment Properties (Cont'd)

(a) Fair value basis of investment properties (Cont'd)

Estimation uncertainty and key assumptions:

The Directors estimate the fair values of the Group's and the Company's investment properties based on the following techniques for the properties:

- Comparison of the Group's and the Company's investment properties with similar properties that were listed for sales within the same locality or other comparable localities; and
- Enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

(b) Income and expenses recognised in profit or loss

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

	Group and Company	
	2019	**2018**
	RM	**RM**
Rental income	25,650	18,000
Direct operating expenses	(5,960)	(6,000)

6. Right-of-Use Assets

	Motor vehicles RM
Group and Company	
2019	
Cost	
At 1 January 2019	-
Effect of adopting MFRS 16	432,075
At 1 January 2019, as restated	432,075
Disposals	(268,868)
At 31 December 2019	163,207
Accumulated amortisation	
At 1 January 2019	-
Effect of adopting MFRS 16	151,714
At 1 January 2019, as restated	151,714
Charge for the financial year	81,933
Disposals	(179,245)
At 31 December 2019	54,402
Carrying amount	
At 31 December 2019	108,805

Leased assets are pledged as securities for the related lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONT'D)

7. Intangible Assets

	Development expenditures RM	Licence RM	Total RM
Group			
2019			
At cost			
At 1 January	2,160,064	-	2,160,064
Additions	1,266,557		1,266,557
Acquisition through business combination	-	522,110	522,110
At 31 December	3,426,621	522,110	3,948,731
Less: Accumulated amortisation			
At 1 January	475,929	-	475,929
Amortisation during the financial year	459,683	174,037	633,720
At 31 December	935,612	174,037	1,109,649
Carrying amount			
At 31 December	2,491,009	348,073	2,839,082
2018			
At cost			
At 1 January	1,206,800	-	1,206,800
Additions	953,264	-	953,264
At 31 December	2,160,064	-	2,160,064
Less: Accumulated amortisation			
At 1 January	140,674	-	140,674
Amortisation during the financial year	335,255	-	335,255
At 31 December	475,929	-	475,929
Carrying amount			
At 31 December	1,684,135	-	1,684,135

(a) Description of the intangible assets

Licence

Licence relates to the money lending licence of which the fair value was valued using income approach method by an independent valuation specialist that engaged by the Group for purchase price allocation exercise on the acquisition of TBH Borneo Sdn. Bhd. The useful lives of the license are estimated to be 2 years.

Development expenditures

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.

7. Intangible Assets (Cont'd)

(b) Impairment testing for intangible assets

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

The recoverable amount of CGU in respect of the intangible assets 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% (2018: 8%) have been applied to cash flow projections.

8. Investment in Subsidiary Companies

	Company	
	2019	**2018**
	RM	**RM**
In Malaysia		
Unquoted shares, at cost	16,906,500	18,406,502
Less: Accumulated impairment losses	(2,222,830)	(4,058,425)
	14,683,670	14,348,077

Movement in the allowance for impairment losses are as follows:

	Company	
	2019	**2018**
	RM	**RM**
At 1 January	4,058,425	-
Impairment loss recognised	-	4,058,425
Amount written off	(1,835,595)	-
At 31 December	2,222,830	4,058,425

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 Nil (2018: RM4,058,425) 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

8. Investment in Subsidiary Companies (Cont'd)

Details of subsidiary companies are as follows:

Name of company	Place of business/ Country of incorporation	Equity interest 2019	Equity interest 2018	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	Information Technology Systems, mobile applications and games development related business.

8. 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 2019	Equity interest 2018	Principal activities
		%	%	
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.
AppAsia International Sdn. Bhd.	Malaysia	100	100	Investment holding, online trading, e-commerce, mobile application solutions.
AppAsia Pay Sdn. Bhd. (#)	Malaysia	-	100	Online payment gateways, e-commerce, electronic data interchange etc. and mobile application development related business.
TBH Borneo Sdn. Bhd.	Malaysia	100	-	Money lending business

(#) AppAsia Pay Sdn. Bhd., a wholly owned subsidiary company, has been struck off on 9 July 2019 by the Companies Commission of Malaysia under section 550 of Companies Act 2016.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

8. Investment in Subsidiary Companies (Cont'd)

(a) Acquisition of a subsidiary company

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. ("TBSB") for a total cash consideration of RM500,000. The proposed acquisition was completed on 23 April 2019.

Fair value of consideration transferred:

	2019 RM
Cash consideration	500,000

The fair values of the identifiable assets and liabilities of TBSB as at the date of acquisition were:

	2019 RM
Intangible asset	522,110
Cash and bank balances	1,610
Other payables	(23,720)
Fair value of identifiable assets	500,000

Net cash outflow arising from acquisition of TBSB:

	2019 RM
Purchase consideration settled in cash	500,000
Less: Cash and cash equivalents acquired	(1,610)
Net cash outflow on acquisition	498,390

<u>Impact of the acquisition on the Statements of Profit or Loss and Other Comprehensive Income</u>

From the date of acquisition, acquired subsidiary company has contributed RM327,747 and RM123,568 to the Group's revenue and loss after tax for the year respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and loss after tax for the financial year would have been RM327,747 and RM144,354 respectively.

There was no acquisition in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONT'D)

8. Investment in Subsidiary Companies (Cont'd)

(b) Disposal of a subsidiary company

On 2 December 2019, the Company entered into a Share Sale Agreement ("SSA") with a third party to dispose of its entire equity interest in AppAsia Studio Sdn. Bhd. ("ASSB") comprising of 2,000,000 ordinary shares for a total cash consideration of RM20,000. Upon the disposals, ASSB ceased to be a wholly-owned subsidiary to the Company. As a result, the Group and the Company recognised a gain of RM20,000 and a loss of RM144,407 of disposal of subsidiary company respectively in statements of profit or loss and other comprehensive income.

The effect of the disposal of ASSB on the financial position of the Group as at the date of disposal was as follows:

	2019 RM
Proceeds from disposal	20,000
Net assets disposed	-
Gain on disposal	20,000

9. Inventories

	Group	
	2019 RM	2018 RM
At cost		
Trading merchandise	155,310	152,009
Recognised in profit or loss:		
Inventories recognised as cost of sales	36,700	60,403

10. Trade Receivables

	Group	
	2019 RM	2018 RM
Trade receivables	13,783,802	16,288,056
Less: Accumulated impairment losses	(9,150)	(1,607)
	13,774,652	16,286,449

Trade receivables are generally on 30 to 90 days (2018: 30 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Other credit terms are approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONT'D)

10. Trade Receivables (Cont'd)

Movements in the allowance for impairment losses are as follows:

	Group 2019 RM	2018 RM
At 1 January	1,607	-
Effect of adopting MFRS 9	-	288
Impairment losses recognised	8,313	1,319
Amount written off	(770)	-
At 31 December	9,150	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:

	Gross amount RM	Loss allowance RM	Net amount RM
Group			
2019			
Neither past due nor impaired	12,285,013	(3,300)	12,281,713
Past due not impaired:			
Less than 30 days	1,387,864	(150)	1,387,714
31 to 60 days	60,051	(255)	59,796
61 to 90 days	40,470	(1,168)	39,302
More than 90 days	10,404	(4,277)	6,127
	1,498,789	(5,850)	1,492,939
	13,783,802	(9,150)	13,774,652
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

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 2019, trade receivables of RM1,492,939 (2018: RM8,905,422) 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	
	2019 RM	2018 RM
United States Dollar	4,181	11,295

11. Other Receivables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables	463,141	1,462,704	1,040	16,188
Deposits	56,186	102,674	31,250	64,866
Prepayments	217,782	617,953	70,508	578,442
GST recoverable	91,109	207,502	1,825	8,035
	828,218	2,390,833	104,623	667,531

12. Amount Due from/(to) Subsidiary Companies

	Company	
	2019 RM	2018 RM
Amount due from subsidiary companies		
Trade related	333,000	1,132,800
Non-trade related	13,802,965	14,021,658
	14,135,965	15,154,458
Less: Accumulated impairment losses	(187,734)	(29,412)
	13,948,231	15,125,046
Amount due to subsidiary companies		
Non-trade related	(1,229,312)	(4,385,559)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONT'D)

12. Amount Due from/(to) Subsidiary Companies (Cont'd)

Trade balance is given credit term of 30 to 90 days (2018: 30 to 90 days).

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

Movements in the allowance for impairment losses are as follows:

	Company	
	2019 RM	2018 RM
At 1 January	29,412	-
Impairment losses recognised	187,734	29,412
Amount written off	(29,412)	-
At 31 December	187,734	29,412

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 RM187,734 (2018: RM29,412) was recognised during the financial year.

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 Nil (2018: 3.20%) and Nil (2018: 30 days) respectively.

14. Cash and Bank Balances

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
United States Dollar	5,623	1,721	-	-
Australian Dollar	-	14,018	-	14,018
Myanmar Kyat	-	475	-	-

15. Assets Classified as Held for Sale

	Group	
	2019 RM	2018 RM
Investment Properties		
At 1 January	-	828,000
Disposal	-	(828,000)
At 31 December	-	-

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 statements of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

16. Share Capital

	Group and Company			
	Number of Shares		Amount	
	2019 Units	2018 Units	2019 RM	2018 RM
Issued and fully paid				
Ordinary shares with no par value				
At 1 January	345,249,800	345,199,800	50,463,256	50,450,491
Capital reduction	-	-	(24,000,000)	-
Exercise of SIS options	-	50,000	-	12,765
At 31 December	345,249,800	345,249,800	26,463,256	50,463,256

The Company has undertaken a reduction of RM24,000,000 of the issued share capital ("Capital Reduction Exercise") pursuant to Section 116 of the Companies Act 2016. The corresponding credit arising from such cancellation was being utilised to eliminate the accumulated losses amounting to RM24,000,000 of the Company. The Capital Reduction Exercise was completed on 11 March 2019.

In previous 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 previous 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 declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

17. Treasury Shares

The shareholders of the Company, by a resolution passed in the last Annual General Meeting held on 1 June 2019, renewed their approval for the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

	Group and Company			
	Number of Shares		Amount	
	2019 Units	2018 Units	2019 RM	2018 RM
At 1 January	-	-	-	-
Purchase of own shares	3,501,300	-	317,120	-
At 31 December	3,501,300	-	317,120	-

During the financial year, the Company repurchased a total of 3,501,300 (2018: Nil) of its issued ordinary shares from the open market at an average price of RM0.09 (2018: Nil) per share. The total consideration paid for the repurchase was RM317,120 (2018: Nil). The repurchased transactions were financed by internally-generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(4) of the Companies Act 2016.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONT'D)

18. Reserves

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Warrant reserve	(a)	20,489,250	20,489,250	20,489,250	20,489,250
Other reserve	(b)	(20,489,250)	(20,489,250)	(20,489,250)	(20,489,250)
Share Issuance Scheme Option reserve	(c)	789,516	789,516	789,516	789,516
(Accumulated losses)/Retained earnings		(398,593)	(24,136,811)	5,052,055	(18,098,211)
		390,923	(23,347,295)	5,841,571	(17,308,695)

(a) 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 (2018: 135,690,400).

(b) Other reserve

This represents fair value allocated to the detachable warrants issued in conjunction with rights issue refer to Note 18(a).

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

18. Reserves (Cont'd)

(c) Share Issuance Scheme Option reserve

	Group and Company 2019 RM	2018 RM
Non-distributable		
At 1 January	789,516	977,496
Exercise of SIS options	-	(3,615)
Lapsed	-	(184,365)
At 31 December	789,516	789,516

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 31.

19. Finance Lease Liabilities

	Group and Company 2019 RM	2018 RM
Future minimum lease payments		
Within one year	-	86,549
Later than one year and not later than two years	-	36,084
Later than two years and not later than five years	-	11,996
	-	134,629
Less: Future finance charges	-	(5,834)
Present value of minimum lease payments	-	128,795
Present value of minimum lease payments		
Within one year	-	82,393
Later than one year and not later than two years	-	34,529
Later than two years and not later than five years	-	11,873
	-	128,795
Analysed as:		
Repayable within twelve months	-	82,393
Repayable after twelve months	-	46,402
	-	128,795

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 Nil (2018: 2.72% to 2.74%) per annum.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

20. Lease Liabilities

	Group and Company	
	2019	2018
	RM	RM
At 1 January	-	-
Effect of adopting MFRS 16	128,795	-
At 1 January, as restated	128,795	-
Payments	(82,393)	-
At 31 December	46,402	-
Presented as:		
Non-current	11,873	-
Current	34,529	-

20. Lease Liabilities (Cont'd)

The maturity analysis of lease liabilities of the Group and of the Company at the end of the reporting period:

	Group and Company	
	2019	2018
	RM	RM
Within one year	36,084	-
Later than one year and not later than two years	11,996	-
	48,080	-
Less: Future finance charges	(1,678)	-
Present value of lease liabilities	46,402	-

The lease liabilities are secured by a charge over the leased assets as disclosed in Note 6. The interest rate for the leases is ranging from 2.74% (2018: Nil) per annum.

21. Trade Payables

Credit terms of trade payables of the Group is 30 days (2018: 30 days) depending on the terms of the contracts.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

22. Other Payables

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Other payables	3,779,997	1,422,772	12,052	26,733
Accruals	361,891	341,374	50,349	83,038
Deferred revenue	436,706	314,062	-	-
Service tax payable	30,283	71,796	-	-
	4,608,877	2,150,004	62,401	109,771

Included in other payables of the Group and the Company are RM1,152 (2018: RM2,432) and RM1,145 (2018: RM1,360) respectively due to a company in which certain Directors have substantial financial interests.

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

23. Revenue

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Revenue from contracts with customers:				
Gross receivables from online sales	-	147,037,682	-	-
Less: Gross payables from online sales	-	(146,596,569)	-	-
Commission	-	441,113	-	-
Rendering of services	5,121,938	3,857,109	-	-
Sales of goods	85,734,993	174,069,831	-	-
Financing income	327,747	-	-	-
Management fees	21,667	27,000	1,543,500	2,031,000
	91,206,345	178,395,053	1,543,500	2,031,000
Revenue from other sources:				
Interest income	168,962	131,676	168,962	131,676
Rental income	25,650	18,000	25,650	18,000
	194,612	149,676	194,612	149,676
	91,400,957	178,544,729	1,738,112	2,180,676

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

23. 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	Provision of Money Lending RM	Total RM
2019						
Major goods and services:						
Rendering of services	1,639,302	494,201	2,988,435	-	-	5,121,938
Sales of goods	-	85,734,993	-	-	-	85,734,993
Management fees	-	-	-	21,667	-	21,667
Financing income	-	-	-	-	327,747	327,747
Total revenue from contracts with customers	1,639,302	86,229,194	2,988,435	21,667	327,747	91,206,345
Geographical market:						
Malaysia	1,639,302	86,229,194	2,976,194	21,667	327,747	91,194,104
United States	-	-	1,235	-	-	1,235
Others	-	-	11,006	-	-	11,006
Total revenue from contracts with customers	1,639,302	86,229,194	2,988,435	21,667	327,747	91,206,345
Timing of revenue recognition:						
At a point in time	1,639,302	86,229,194	2,988,435	21,667	327,747	91,206,345
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

24. Finance Cost

	Group and Company	
	2019	2018
	RM	RM
Interest expense on:		
Finance leases liabilities	-	8,075
Lease liabilities	4,293	-
	4,293	8,075

25. Profit/(Loss) Before Tax

Profit/(Loss) before tax is derived after charging/(crediting) amongst other, the following items:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Amortisation of				
- intangible assets	633,720	335,255	-	-
- right-of-use assets	81,933	-	81,933	-
Auditors' remuneration:				
- Statutory				
- current year	71,909	70,500	22,000	20,000
- under provision in prior year	10,050	180	-	-
- Others				
- current year	3,000	5,000	3,000	5,000
Bad debts written off	-	306	184,033	-
Non-Executive Directors remuneration:				
- fees	78,000	110,000	78,000	110,000
- other emoluments	39,500	29,500	39,500	29,500
Depreciation of				
- investment properties	50,000	50,000	50,000	50,000
- property, plant and equipment	121,084	214,622	76,480	153,400
Impairment losses on:				
- amount due from subsidiary companies	-	-	187,734	29,412
- investment in subsidiary companies	-	-	-	4,058,425
- trade receivables	8,313	1,319	-	-
Property, plant and equipment written off	2,463	41,306	805	2
Expenses relating to short-term leases:				
- rental of equipment	3,077	4,343	2,327	2,600
- rental of premises	245,198	355,513	124,800	124,800
(Gain)/Loss on disposal of a subsidiary company	(20,000)	-	144,407	-
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 property, plant and equipment	(52,926)	(20,932)	(51,095)	(19,707)
Gain on disposal of non-current assets held for sale	-	(1,572,000)	-	-
(Gain)/Loss in foreign exchange:				
- realised	(2,756)	(853)	(36)	(519)
- unrealised	145	29,099	-	(3)
Late payment interest income	(127,169)	(30,603)	-	-
Interest income	(175,538)	(147,516)	(168,962)	(131,676)
Rental income	(25,650)	(29,300)	(25,650)	(18,000)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

26. Taxation

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Tax expenses recognised in profit or loss				
Current tax provision	266,700	101,068	22,200	-
Real property gain tax	-	72,000	-	-
Under/(Over) provision in prior years	36,278	(76,037)	23,077	-
Tax expenses for the financial year	302,978	97,031	45,277	-

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profits for the financial year.

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

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Profit/(Loss) before tax	41,196	560,562	(804,457)	(5,731,709)
At Malaysian statutory tax rate of 24% (2018: 24%)	9,887	134,535	(193,070)	(1,375,610)
Effect of different tax rate in other jurisdiction	-	9,820	-	-
Effect of income subject to real property gain tax	-	72,000	-	-
Income not subject to tax	(20,843)	(844,435)	(12,263)	(4,730)
Allowable expenditure eligible for tax deduction	(148,851)	(102,174)	-	-
Expenses not deductible for tax purposes	352,361	71,315	213,714	423,307
Deferred tax assets not recognised	126,843	942,329	13,819	957,033
Utilisation of previously unrecognised deferred tax assets	(52,697)	(110,322)	-	-
Under/(Over) provision of taxation in prior years	36,278	(76,037)	23,077	-
Tax expense for the financial year	302,978	97,031	45,277	-

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 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Unutilised capital allowances	1,249,758	853,676	618,104	559,723
Unutilised tax losses	13,369,288	13,110,773	7,394,770	7,394,770
	14,619,046	13,964,449	8,012,874	7,954,493

27. (Loss)/Earning Per Share

(a) Basic (loss)/earning per share

The basic (loss)/earning 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 2019 RM	2018 RM
(Loss)/Profit attributable to owners of the parent	(261,782)	463,531
Weighted average number of ordinary shares in issue		
Issued ordinary shares at 1 January	345,249,800	345,199,800
Effect of exercise of SIS options issued during the financial year	-	46,986
Effect of treasury shares held	(945,229)	-
Weighted average number of ordinary shares at 31 December	344,304,571	345,246,786
Basic (loss)/earning per share (in sen)	(0.08)	0.13

(b) Diluted (loss)/earning per share

Diluted (loss)/earning 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 2019 RM	2018 RM
(Loss)/Profit attributable to ordinary shareholders	(261,782)	463,531
Weighted average number of ordinary shares used in the calculation of basic earnings per share	344,304,571	345,246,786
Effect of share options on issue	-	1,366,088
Weighted average number of ordinary shares at 31 December (diluted)	344,304,571	346,612,874
Diluted (loss)/earning per share (in sen)	(0.08)	0.13

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

28. Deferred Tax

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

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Deferred tax liability	82,834	5,162	5,354	5,162
Deferred tax assets	(82,834)	(5,162)	(5,354)	(5,162)
	-	-	-	-

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

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Deferred tax liability:				
Accelerated capital allowances				
At 1 January	5,162	6,752	5,162	6,502
Recognised in profit or loss	77,672	(1,590)	192	(1,340)
At 31 December	82,834	5,162	5,354	5,162
Deferred tax assets:				
Unutilised capital allowances				
At 1 January	(5,162)	(6,502)	(5,162)	(6,502)
Recognised in profit or loss	(77,672)	1,340	(192)	1,340
At 31 December	(82,834)	(5,162)	(5,354)	(5,162)
Unutilised tax losses				
At 1 January	-	(250)	-	-
Recognised in profit or loss	-	250	-	-
At 31 December	(82,834)	(5,162)	(5,354)	(5,162)

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

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Unutilised capital allowances	904,616	832,168	595,794	538,215
Unutilised tax losses	13,369,288	13,110,773	7,394,770	7,394,770
Other temporary differences	(8,829)	13,192	-	-
	14,265,075	13,956,133	7,990,564	7,932,985

With effect from year of assessment 2019, unutilised tax losses are allowed to be carried forward up to a maximum of seven consecutive years of assessment under the current tax legislation. The other temporary differences do not expire under current tax legislation. 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONT'D)

29. Staff Costs

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fee	60,000	7,099	-	-
Salaries and allowances	3,064,107	3,284,226	998,195	1,272,698
Defined contribution plans	397,003	366,143	160,590	188,403
Employee insurance system	2,256	2,130	720	846
Social security costs	22,363	18,631	6,295	7,401
Other benefits	57,889	109,724	38,092	70,491
Benefits-in-kind	40,600	39,833	33,400	32,633
	3,644,218	3,827,786	1,237,292	1,572,472
Less: staff costs capitalised into development expenditure	(945,725)	(873,996)	-	-
	2,698,493	2,953,790	1,237,292	1,572,472

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors				
Salaries and allowances	1,211,500	1,022,500	604,000	710,000
Defined contribution plans	204,460	160,640	114,760	121,390
Employee insurance system	332	269	142	174
Social security costs	2,900	2,347	1,243	1,519
Benefits-in-kind	40,600	39,833	33,400	32,633
	1,459,792	1,225,589	753,545	865,716
Less: staff costs capitalised into development expenditure	(247,514)	(211,604)	-	-
	1,212,278	1,013,985	753,545	865,716

30. Reconciliation of Liabilities Arising from Financing Activities

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

	At 1 January RM	Effect of adopting MFRS 16 RM	New finance lease RM	Financing cash flows RM	At 31 December RM
Group					
2019					
Finance lease liabilities	128,795	(128,795)	-	-	-
Lease liabilities	-	128,795	-	(82,393)	46,402
	128,795	-	-	(82,393)	46,402
2018					
Finance lease liabilities	141,253	-	100,000	(112,458)	128,795

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

30. Reconciliation of Liabilities Arising from Financing Activities (Cont'd)

	At 1 January RM	Effect of adopting MFRS 16 RM	New finance lease RM	Financing cash flows RM	At 31 December RM
Company					
2019					
Amount due to subsidiary companies	4,385,559	-	-	(3,156,247)	1,229,312
Finance lease liabilities	128,795	(128,795)	-	-	-
Lease liabilities	-	128,795	-	(82,393)	46,402
	4,514,354	-	-	(3,238,640)	1,275,714
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

31. Share Issuance Scheme ("SIS")

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

The salient features of the SIS Options are as follows:

(a) any employee of the Group shall be eligible if as at the date of offer, the employee:

- (i) has attained at least eighteen (18) years of age;
- (ii) is an employee in a company within the Group, which is not dormant belonging to such categories of employment as determined by the Option Committee; and
- (iii) who falls under such categories and criteria that the Option Committee may decide at its absolute discretion from time to time.

(b) any Director of the Group shall be eligible if as at the date of offer, the Director:

- (i) is at least eighteen (18) years of age; and
- (ii) has been appointed as a Director of a company within the Group, which is not dormant.

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

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

(e) The SIS shall be in force for a period of five (5) years and the last day to exercise SIS Options is on 12 March 2020. On 18 February 2020, the Company announced the extension of SIS which is expiring on 12 March 2020 for another five (5) years until 12 March 2025 in accordance with terms of the By-Laws.

(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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

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

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 1.1.2019**	**Exercised**	**Lapsed**	**At 31.12.2019**
24 March 2015	0.183	10,920,000	-	-	10,920,000

Date of offer	**Exercise price**	**At 1.1.2018**	**Exercised**	**Lapsed**	**At 31.12.2018**
24 March 2015	0.183	10,920,000	-	-	10,920,000

Number of share options exercisable as at 31 December 2019 is 10,920,000 (2018: 10,920,000). The weighted average share price at the date of exercise for the financial year was RM0.183 (2018: RM0.183) per share option.

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:

	2019 RM	**2018 RM**
Fair value of share options granted	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

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

32. 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 the Company are as follows:

	2019 RM	2018 RM
Group		
Transactions with companies in which certain Directors have substantial financial interests		
Rental income received/receivable	-	12,000
Rental of premises paid/payable	230,798	318,331
Services rendered	-	10,400
Company		
Transactions with subsidiary companies		
Management fee	(1,521,833)	(2,004,000)
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 of premises paid/payable	124,800	124,800

32. 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	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Salaries, fees and other emoluments	1,639,366	1,558,419	830,000	1,025,800
Social security costs	5,179	4,626	2,072	2,486
Employee insurance system	593	529	237	284
Defined contributions plan	245,920	207,263	127,780	142,450
Benefits-in-kind	40,600	39,833	33,400	32,633
	1,931,658	1,810,670	993,489	1,203,653
Less: staff costs capitalised into development expenditure	(370,821)	(438,499)	-	-
	1,560,837	1,372,171	993,489	1,203,653

33. 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.
Provision of Money Lending	Engaged in financial business financing activities.

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 2019 (CONT'D)

33. Segment Information (Cont'd)

	ICT Securities Business RM	E-Commerce Business RM	Digital Contents Business RM	Management Services RM	Provision of Money Lending RM	Eliminations RM	Per consolidated financial statements RM
2019							
Revenue							
External customers	1,639,302	86,229,194	2,988,435	216,279	327,747	-	91,400,957
Inter segment	68,605	14,460	27,771	1,521,833	-	(1,632,669)	-
Total revenue	1,707,907	86,243,654	3,016,206	1,738,112	327,747	(1,632,669)	91,400,957
Segment results							
Interest income	310	4,575	420	168,962	1,271	-	175,538
Finance costs	-	-	-	(4,293)	-	-	(4,293)
Depreciation and amortisation	(28,942)	(176,526)	(298,819)	(208,413)	-	(174,037)	(886,737)
Other non-cash item	(15,213)	-	6,928	(278,150)	-	348,440	62,005
Segments (loss)/profit before tax	(378,879)	(104,796)	1,295,028	(804,457)	(114,392)	148,692	41,196
Assets							
Addition to property, plant and equipment	228,144	-	4,700	266,950	-	-	499,794

33. 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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONT'D)

33. 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 2019 RM	Group 2018 RM
Bad debts written off	-	(306)
Gain on disposal of non-current assets held for sale	-	1,572,000
Gain on disposal of property, plant and equipment	52,926	20,932
Gain on disposal of a subsidiary company	20,000	-
Impairment loss on trade receivables	(8,313)	(1,319)
Gain on disposal of investment in associate company	-	4,952
Property, plant and equipment written off	(2,463)	(41,306)
Unrealised loss on foreign exchange	(145)	(29,099)
	62,005	1,525,854

(c) Geographic information

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

	Group 2019 RM	Group 2018 RM
Malaysia	91,388,716	178,470,068
United States	1,235	28,279
Others	11,006	46,382
	91,400,957	178,544,729

(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:

	Revenue 2019 RM	Revenue 2018 RM
Group		
- Customer A	-	20,459,179
- Customer B	42,475,983	-
	42,475,983	20,459,179

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

34. 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	
2019	
Financial assets	
Trade receivables	13,774,652
Other receivables	519,327
Cash and bank balances	10,826,391
	25,120,370
Financial liabilities	
Trade payables	211,526
Other payables	4,141,888
Lease liabilities	46,402
	4,399,816
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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

34. Financial Instruments (Cont'd)

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

	At amortised cost RM
Company	
2019	
Financial assets	
Other receivables	32,290
Amount due from subsidiary companies	13,948,231
Cash and bank balances	1,893,390
	15,873,911
Financial liabilities	
Other payables	62,401
Amount due to subsidiary companies	1,229,312
Lease liabilities	46,402
	1,338,115
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

(b) Net loss arising from financial instruments

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Net loss on impairment of financial instruments:				
- Financial assets at amortised cost	8,313	1,319	187,734	29,412

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONT'D)

34. Financial Instruments (Cont'd)

(c) 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 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's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

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

There are no significant changes as compared to previous financial year.

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 2019 (CONT'D)

34. Financial Instruments (Cont'd)

(c) 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					
2019					
Non-derivative financial liabilities					
Trade payables	211,526	-	-	211,526	211,526
Other payables	4,141,888	-	-	4,141,888	4,141,888
Lease liabilities	36,084	11,996	-	48,080	46,402
	4,389,498	11,996	-	4,401,494	4,399,816
2018					
Non-derivative financial liabilities					
Trade payables	1,373,966	-	-	1,373,966	1,373,966
Other payables	1,764,146	-	-	1,764,146	1,764,146
Finance lease liabilities	86,549	36,084	11,996	134,629	128,795
	3,224,661	36,084	11,996	3,272,741	3,266,907
Company					
2019					
Non-derivative financial liabilities					
Other payables	62,401	-	-	62,401	62,401
Amount due to subsidiary companies	1,229,312	-	-	1,229,312	1,229,312
Lease liabilities	36,084	11,996	-	48,080	46,402
	1,327,797	11,996	-	1,339,793	1,338,115
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

34. Financial Instruments (Cont'd)

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

(iii) Market risk

(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) and Myanmar Kyat (KYAT).

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	KYAT RM	Total RM
Group				
2019				
Cash and bank balances	5,623	-	-	5,623
Trade receivables	4,181	-	-	4,181
	9,804	-	-	9,804
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
Company				
2018				
Cash and bank balances	-	14,018	-	14,018

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 and the Company's profit before tax to a reasonably possible change in the USD, AUD and KYAT exchange rates against RM, with all other variables held constant.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONT'D)

34. Financial Instruments (Cont'd)

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

(iii) Market risk (Cont'd)

(a) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis (Cont'd)

	2019		2018	
	Change in currency rate RM	**Effect on profit before tax RM**	**Change in currency rate RM**	**Effect on loss before tax RM**
Group				
USD	Strengthened 1%	98	Strengthened 1%	130
	Weakened 1%	(98)	Weakened 1%	(130)
AUD	Strengthened 1%	-	Strengthened 1%	140
	Weakened 1%	-	Weakened 1%	(140)
KYAT	Strengthened 1%	-	Strengthened 1%	5
	Weakened 1%	-	Weakened 1%	(5)
Company				
AUD	Strengthened 1%	-	Strengthened 1%	140
	Weakened 1%	-	Weakened 1%	(140)

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

(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 the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group and Company	
	2019 RM	**2018 RM**
Fixed rate instruments		
Financial assets	-	4,048,058
Financial liabilities	(46,402)	(128,795)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

34. Financial Instruments (Cont'd)

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

(iii) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

(d) 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.

	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

(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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

35. Capital Management

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

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

The Group and the Company monitor 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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Total loans and borrowings	-	128,795	-	128,795
Less: Cash and cash equivalents	(10,826,391)	(7,009,247)	(1,893,390)	(4,887,751)
Excess funds	(10,826,391)	(6,880,452)	(1,893,390)	(4,758,956)
Shareholders' equity	26,537,059	27,115,961	31,987,707	33,154,561
Gearing ratio	*	*	*	*

* Gearing ratio not applicable to the Group and the Company as the cash and cash equivalents as at 31 December 2019 and 31 December 2018 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.

36. Significant Event

Share Capital Reduction

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.

37. Subsequent Event

Effect of Outbreak of Coronavirus Pandemic

The Directors of the Company have closely monitored the development of the outbreak of coronavirus pandemic ("COVID-19") infection in Malaysia that may affect the business performance, financial performance and financial position of the Group and of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group and the Company business operations. As at the date of this report, the financial impact of the COVID-19 outbreak to the Group and to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19, the extent of the impact depends on the on-going precautionary measures introduced by each country to address this pandemic and the durations of the pandemic. As such, the Directors of the Company will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.

38. Date of Authorisation for Issue

The financial statements of the Group and the Company for the financial year ended 31 December 2019 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 May 2020.