AppAsia®

2019 ANNUAL REPORT

Artist's Impression

ROYCE RESIDENCE
MENARA 8

A FREEHOLD AND LUXURY LIFESTYLE IN THE HEART OF KUALA LUMPUR

A proposed development of 35 storeys of Hotel and 53 storeys of Service Apartment at Jalan Yap Kwan Seng, Kuala Lumpur City Centre. Total 396 units.

YUK TUNG GROUP

HR

Land Owner and Developer :
Yuk Tung Properties Sdn Bhd
A Member of HR Group

Head Office : 19 Floor, Plaza See Hoy Chan, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia.
T: +603 - 2053 1988 F: +603 - 2026 8898 E: property@hr-group.com.my

facebook.com/HRGroupMY

For more information, kindly call :
603-2053 1988
www.hr-group.com.my

EXPERIENCE **THE LIFESTYLE**

SHOPPING REDESCOVERED

Centerpoint Seremban is a new exciting retail and lifestyle mall designed to provide great exposure for retailers and convenience to shoppers, Centerpoint Seremban facilitates multiple vehicular ingress/egress with two drop-off points to ensure a hassle-free entry to the mall.

Centerpoint Seremban is strategically located in the central business district of Seremban in one of the most vibrant hubs of the city, and is also the only shopping mall in Ampangan. It's an exciting place for the whole family to shop.

Entertainment

Leisure

Lifestyle

Dining

+606-763 9889 info@centerpointseremban.com www.centerpointseremban.com

LEASING INQUIRIES:

+60 111 9300 000

PEGASUS HEIGHTS BERHAD

1-40-1, Menara Bangkok Bank,
Berjaya Central Park, No. 105 Jalan Ampang,
50450, Kuala Lumpur.
Tel: +603-2181 3553
Email: info@pegasusheights.com

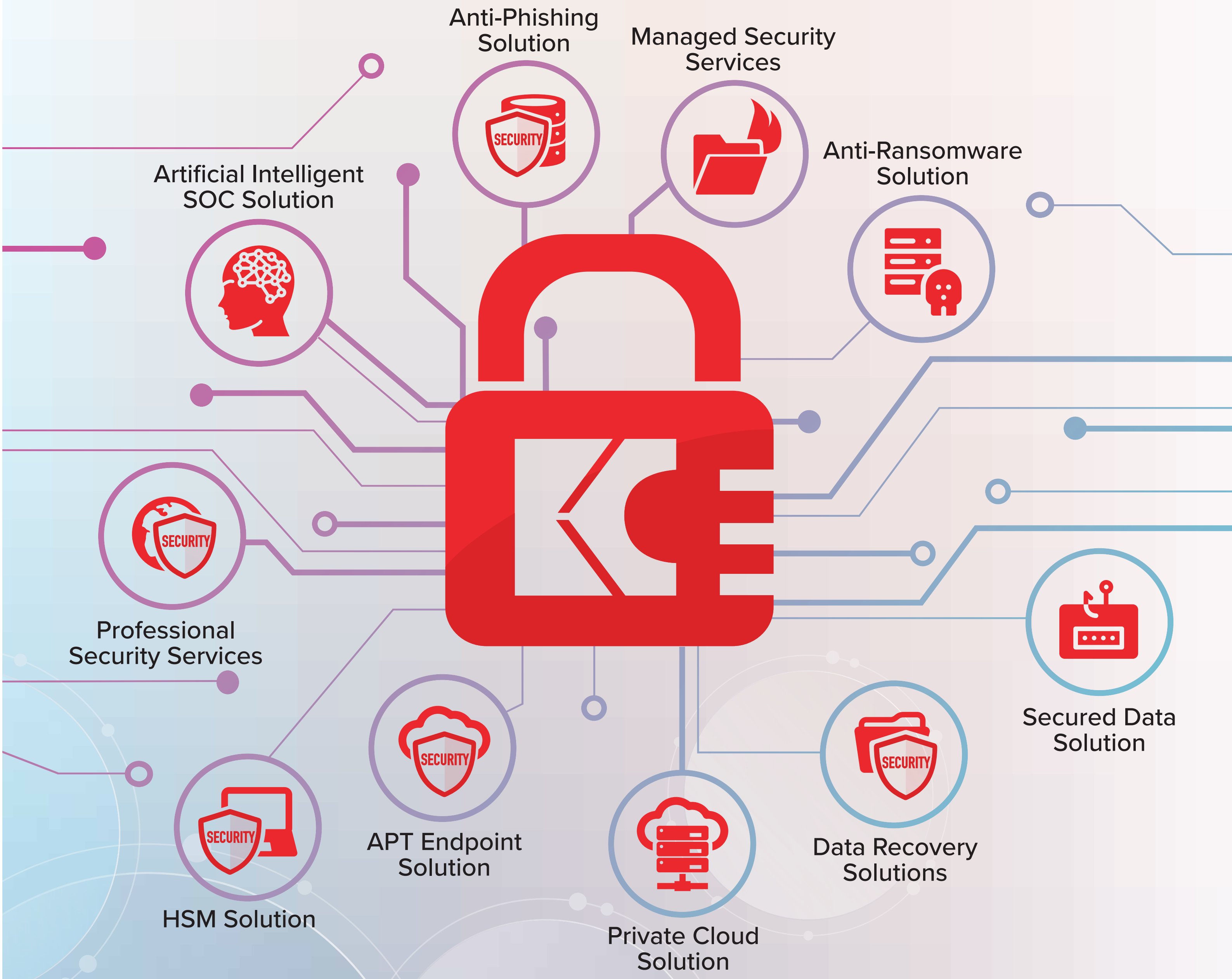
MALL ADDRESS:

Centerpoint Seremban,
33, Jalan Dato Siamang Gagap,
Betaria Business Centre,
70100 Seremban, Negeri Sembilan.
Tel: +606-763 9889 | Fax: +606-763 9998
Email: info@centerpointseremban.com

EXTOL®
Subsidiary of AppAsia Berhad

Pro in IT Security & Cloud Solutions

30 YEARS OF EXCELLENCE



Cloud Hosting | Managed Cloud Services | Professional Cloud Services | Private Cloud Solution

Tel: **+603-2161 3211**
Email: **info@extolcorp.com**
Website: **www.extolcorp.com**

Official partner of:
Alibaba Cloud

Extol is a member of AppAsia Berhad
AppAsia®

GLOSS FINISH

Wood & Metal Finish

- For Protection & Decoration of Wood and Metal
- For Both Exterior & Interior Use
- Excellent Gloss Retention
- Rust Resistant with Good Durability
- Fungal Resistant

ANTI FUNGUS & ALGAE

ANTI RUST

RoHS Compliant

SERSOL

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Toh Hong Chye *(Executive Director)*

Wong Ngai Peow *(Executive Director)*

Yong Mai Fang *(Executive Director)*

Datuk Low Kim Leng *(Independent Non-Executive Director)*

Tiew Chee Ming *(Independent Non-Executive Director)*

AUDIT COMMITTEE

Tiew Chee Ming (Chairman)
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil
Datuk Low Kim Leng

REMUNERATION & NOMINATION COMMITTEE

Datuk Low Kim Leng (Chairman)
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil
Tiew Chee Ming

SHARE ISSUANCE SCHEME (“SIS”) OPTION COMMITTEE

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

COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482 / PC NO. 201908005523)
Thien Lee Mee (LS0009760 / PC NO.201908002254)

REGISTERED OFFICE

Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel No. : +603-2298 0263
Fax No. : +603-2298 0268

HEAD OFFICE

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

AUDITORS

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

PRINCIPAL BANK

CIMB Bank Berhad

SHARE REGISTRAR

Boardroom Shares Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Tel No. : +603-7890 4700
Fax No. : +603-7890 4670

COMPANY SOLICITORS

Messrs. Ringo Low & Associates
D-03-03 Phileo Damansara 1
Off Jalan Damansara
46350 Petaling Jaya, Selangor
Tel No. : +603-7957 8778
Fax No. : +603-7957 1771

STOCK EXCHANGE LISTING

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

CORPORATE WEBSITE

www.appasia.com

CORPORATE STRUCTURE

APPASIA BERHAD & GROUP OF COMPANIES

100%	AppAsia Cloud Sdn Bhd
100%	AppAsia International Sdn Bhd
100%	AppAsia Mall Sdn Bhd
100%	AppAsia Tech Sdn Bhd
100%	Extol Corporation Sdn Bhd
100%	Extol Marketing Sdn Bhd
100%	TBH Borneo Sdn Bhd # Acquired on 23 April 2019
100%	AppAsia Pay Sdn Bhd # Dissolved under Section 550 of the Companies Act, 2016, gazetted on 9 July 2019
100%	AppAsia Studio Sdn Bhd # Disposed of 100% shares on 2 December 2019

DIRECTORS' PROFILES

DATUK WIRA RAHADIAN MAHMUD BIN MOHAMMAD KHALIL
Independent Non-Executive Chairman
Malaysian, Male, Aged 46
Members of Audit Committee, Nomination Committee and Remuneration Committee

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

He is the Group Managing Director of Magna Prima Berhad and sits on the Board of KYM Holdings Berhad.

He has no family relationship with any of the directors and/or major shareholders of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years, other than traffic offences, if any, and has not been imposed by any public sanctions or penalty by relevant regulatory bodies during the financial year.

TOH HONG CHYE
Executive Director
Malaysian, Male, Aged 44
Chairman of Share Issuance Scheme ("SIS") Option Committee

Toh Hong Chye was appointed to the Board on 24 July 2014 as Executive Director. He holds a Master Degree in Business Administration in Finance from the International Islamic University Malaysia. He is also a Chartered Accountant, a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

In 2002, he began his own career by setting up H.C. Toh & Co, a non-audit firm, which provides professional services involving company secretary, accounting and business advisory of companies from various industries. His experience covers audit and assurance engagements, corporate reporting and compliance, taxation and wide ranging overseas exposures. He had been involved in the successful implementation of several corporate exercises which included merger and acquisition and corporate debt restructuring exercises undertaken by private and public listed companies.

Currently, he sits on the Board of Sersol Berhad and Pegasus Heights Berhad, all of which are companies listed on Bursa Malaysia Securities Berhad.

He is the spouse of Yong Mai Fang, Executive Director of AppAsia Berhad.

He does not have any conflict of interest with the Company other than as disclosed on page 104 of this Annual Report. He has not been convicted of any offences within the past five (5) years, other than traffic offences, if any, and has not been imposed by any public sanctions or penalty by relevant regulatory bodies during the financial year.

WONG NGAI PEOW
Executive Director
Malaysian, Male, Aged 44
Member of Share Issuance Scheme ("SIS") Option Committee

Wong Ngai Peow (Calvert) was appointed to the Board on 28 May 2014 as Executive Director. He is currently spearheading AppAsia Berhad business operations and product developments.

Calvert graduated from the University of Malaya with a Bachelor Degree in Information Technology and Business Management. He has more than 20 years of in-depth professional experience in the Information Technology ("IT") industry. Starting as a system analyst, Calvert quickly became a technopreneur after founding several successful IT ventures since 2002. He successfully led his companies' growth from startup to prosperous ventures in the IT sector, eventually winning The Star's Outstanding Business Award as Best ICT Company in Malaysia in 2010. His broad business experiences and in-depth industry knowledge provided him with sound leadership and organisation management skills in the dynamic IT sector.

Throughout his many years of specialized IT industry experience, Calvert has successfully implemented various sizes of complex IT projects for many multinational corporations, financial institutions, public listed companies and government agencies in the region. His portfolio includes the successful implementation of online trading system, e-insurance systems, bonds information system, B2C2C e-Commerce portal, mobile applications, payment gateway system, cybersecurity solutions, business process integration, social networking system, and a cloud solution.

Calvert has no family relationship with any of the directors and/or major shareholders of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years, other than traffic offences, if any, and has not been imposed by any public sanctions or penalty by relevant regulatory bodies during the financial year.

DIRECTORS' PROFILES (CONT'D)

YONG MAI FANG
Executive Director
Malaysian, Female, Aged 43
Member of Share Issuance Scheme ("SIS") Option Committee

Yong Mai Fang was appointed to the Board on 1 March 2018 as Executive Director. She is a Chartered Accountant, a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

She has more than 15 years of experience in accountancy and business advisory services. She was the Audit Branch Manager of B. L. Tan & Co for 10 years. She primarily oversees and manages audit, taxation and other assurance services required by the clients. Her experience covers various sectors comprising property development, construction, investment holding, and leisure management, servicing and trading.

She is the spouse of Toh Hong Chye, Executive Director of AppAsia Berhad.

She does not have any conflict of interest with the Company other than as disclosed on page 104 of this Annual Report. She has not been convicted of any offences within the past five (5) years, other than traffic offences, if any, and has not been imposed by any public sanctions or penalty by relevant regulatory bodies during the financial year.

DATUK LOW KIM LENG
Independent Non-Executive Director
Malaysian, Male, Aged 57
Chairman of Nomination Committee and Remuneration Committee
Member of Audit Committee

Datuk Low Kim Leng was appointed to the Board on 28 May 2014 as Non-Independent Non-Executive Director and was subsequently re-designated as Independent Non-Executive Director on 26 February 2018.

He graduated from Manchester Metropolitan University (UK) with a degree of Bachelor of Arts (Hons) (Law) in 1983 and as an Utter Barrister of the Honourable Society of Gray's Inn, he was admitted to the English Bar in 1984 and subsequently called to the Malaysian Bar in 1985.

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

In recognition of his excellent services rendered as a lawyer and a corporate advisor, he was conferred the award of Darjah Pangkuan Seri Melaka (DPSM) by TYT Tun Datuk Seri Utama Dr Khalil Bin Yaakob, the Governor of Melaka in November 2018.

He has no family relationship with any of the directors and/or major shareholders of the Company, nor any conflict of interest with the Company other than as disclosed on page 104 of this Annual Report. He has not been convicted of any offences within the past five (5) years, other than traffic offences, if any, and has not been imposed any public sanction or penalty by relevant regulatory bodies during the financial year.

TIEW CHEE MING
Independent Non-Executive Director
Malaysian, Male, Age 31
Chairman of Audit Committee
Member of Nomination Committee and Remuneration Committee

Tiew Chee Ming was appointed to the Board on 1 March 2018 as Independent Non-Executive Director. He is a Chartered Accountant, a member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

He started his career with Sersol Berhad as an internal auditor since 2014 and later promoted as Group Accountant in year 2016 to be in charge of the Group financial reporting and functions. He was subsequently promoted to Chief Financial Officer of Sersol Berhad in year 2018. He is also a Group Accountant of Pegasus Heights Berhad. He has vast experience in practice of corporate governance and internal control of public listed company.

He has no family relationship with any of the directors and/or major shareholders of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years, other than traffic offences, if any, and has not been imposed by any public sanctions or penalty by relevant regulatory bodies during the financial year.

PROFILES OF KEY SENIOR MANAGEMENT

LOKE BAN YEE
TECHNICAL LEAD

Loke Ban Yee, Malaysian, female, age 33, was appointed as Application Solution Architect on 1 July 2014. Subsequently, she was promoted to Technical Lead on 1 April 2019. She is leading the research and development of the digital media technology for the company. She graduated with a Bachelor of Computer Science of Universiti Putra Malaysia and had been awarded with a First-class Degree.

She brings with her over ten (10) years of technical experience in the Information Technology industry, with specialised experience in advanced system engineering, design, development as well as technical team management.

She has no family relationship with any of the directors and/or major shareholders of the company. She also does not hold any shares in the company.

She has not been convicted of any offences within the past five (5) years, other than traffic offences, if any, and has not been imposed by any public sanctions or penalty by relevant regulatory bodies during the financial year.

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

HEW YIT CHEE
TECHNICAL LEAD

Hew Yit Chee, Malaysian, male, age 36, was appointed as Technical Lead on 15 October 2019. He is leading the research and development of the digital platform technology for the company. He graduated with a Bachelor of Information System Engineering of Universiti Tunku Abdul Rahman.

He brings with his over ten (10) years of technical experience in the Information Technology industry, with in-depth experience in system development, advanced computing and overall system architect design and technical team management.

He has no family relationship with any of the directors and/or major shareholders of the company. He also does not hold any shares in the company.

He has not been convicted of any offences within the past five (5) years, other than traffic offences, if any, and has not been imposed by any public sanctions or penalty by relevant regulatory bodies during the financial year.

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

CHLOE LOW YEN HOON
ACCOUNTS MANAGER

Chloe Low, Malaysian, female, age 34, is the Accounts Manager of the Group. She is a Chartered Accountant, a member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

She has over ten (10) years of experience in accounting and auditing, having worked in several audit firms such as Douglas Loh & Associates and K-Konsult Corporation Sdn Bhd.

She has no family relationship with any of the directors and/or major shareholders of the Company. She also does not hold any shares in the Company.

She has not been convicted of any offences within the past five (5) years, other than traffic offences, if any, and has not been imposed by any public sanctions or penalty by relevant regulatory bodies during the financial year.

She is an Independent Non-Executive Director of Pegasus Heights Berhad.

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") aims to assist the reader in understanding the results of operations and financial condition of AppAsia Berhad ("AppAsia") and its subsidiaries ("the Group"). It contains data derived from our audited financial statements and factual statements on how the Group addresses business conditions, future plan, relevant risks, foreign exchange fluctuations, impact of inflation and other economic uncertainties.

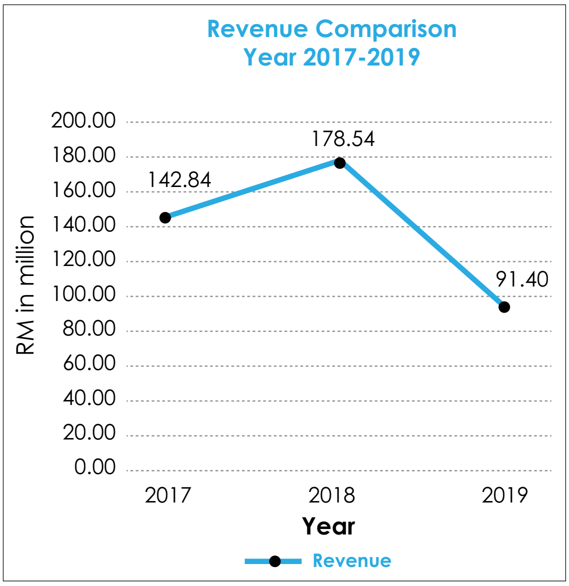
The MD&A should be read in conjunction with our financial statements and the accompanying Notes to the Financial Statements.

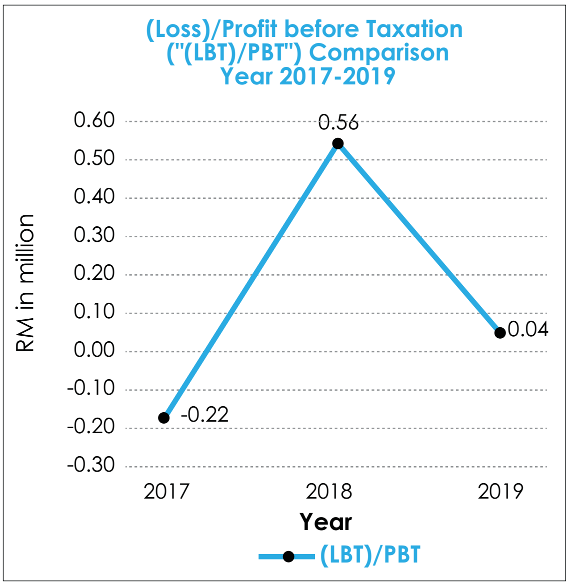
1) GROUP BUSINESS OPERATIONS AND PERFORMANCE

AppAsia is principally engaged in the activities of investment holding and management services. The core operations of the Group are carried out by a total of 7 subsidiaries which are involved in the provision of ICT Security, Digital Contents and e-Commerce businesses, as categorised in the table below:

No.	Principle Business Division	Involved Subsidiary Companies
1.	ICT Security Business	Extol Corporation Sdn Bhd AppAsia Cloud Sdn Bhd
2.	Digital Contents Business	AppAsia Tech Sdn Bhd
3.	E-Commerce Business	AppAsia International Sdn Bhd AppAsia Mall Sdn Bhd Extol Marketing Sdn Bhd

During the financial year under review, there were a few significant changes to our corporate structure. We struck off AppAsia Pay Sdn Bhd and disposed of AppAsia Studio Sdn Bhd. These changes in corporate structure were mainly due to cost saving measures. Besides, we also acquired TBH Borneo Sdn Bhd to diversify into the moneylending and fintech solutions industries in view of the increasing competition in the e-Commerce industry.





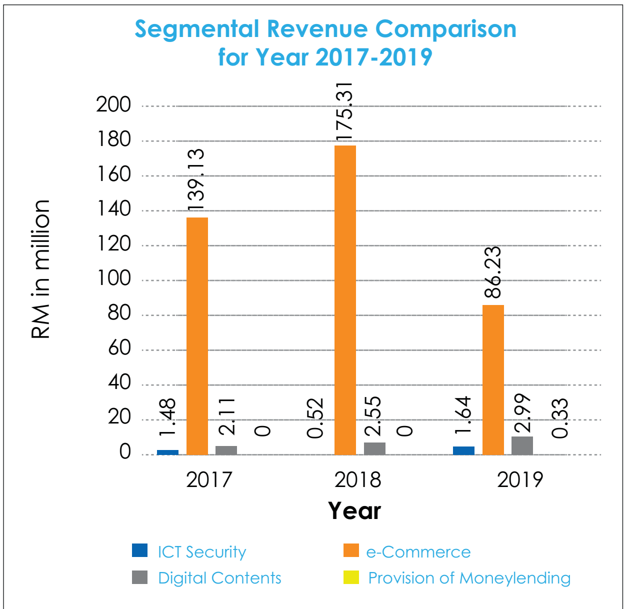
In the overall Group financial results, the Group's revenue decreased 48.8% from RM 178.54 million (FY2018) to RM 91.40 million (FY2019). The decrease in revenue was mainly due to the decrease in Group's revenue in the e-Commerce business sector. Despite the challenging economic environment, the Group managed to record a profit before taxation (PBT) of RM 0.04 million (FY2019), compared to profit before taxation (PBT) of RM 0.56 million (FY2018). The decrease was mainly due to a one time gain on disposal of investment properties of RM 1.57 million in FY2018. As such, the profit before taxation has actually improved without considering the disposal of the investment properties in FY2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The Group's taxation in FY2019 has increased to approximately RM 0.30 million (compared to RM 0.10 million in FY2018), and this has constituted a loss after taxation (LAT) of RM 0.26 million in FY2019. The increase in taxation was due to higher profit before taxation from the digital content and e-Commerce business units.

The Group registered RM 10.83 million cash and cash equivalents as at 31 December 2019, and achieved a net increase in cash and cash equivalents of RM 3.82 million in FY2019 compared to a net decrease in cash and cash equivalents of RM 13.52 million in FY2018. In FY2019, the net positive cash flow was contributed from operating activities of RM 6.30 million, which was reduced by the negative cash flow from investing activities of RM 2.08 million and for financing activities of RM 0.40 million. However, a majority of the investment cash flow was spent in the acquisition of a subsidiary that is TBH Borneo Sdn Bhd (RM 0.50 million) and IT research and development (RM 1.27 million), for the future growth of the Group. The Group also spent RM 0.32 million in shares buy-back as part of the Group's financing activities.

The business operation and financial performance of each business segment of the Group are explained below.



a) ICT Security Business

The Group provides ICT Security business through the "Extol" brand, which has been established in the industry since 1984. Extol provides various ICT security solutions including advanced persistent threat ("APT"), end point solutions, anti-phishing, anti-ransomware, security appliances, managed security services and other professional security services. Extol also provides cloud solution with Alibaba Cloud to the financial industries and other sectors which is growing steadily. The Group's ICT security business experienced a growth of 215% from a revenue of RM 0.52 million (FY2018) to RM 1.64 million (FY2019).

b) Digital Contents Business

The Group's digital contents business was primarily focused in providing advanced digital publishing solution for the news media industry, using mostly in-house developed technology platforms. AppAsia provides one-stop digital solutions ranging from the advanced news portal, digital publishing system, interactive mobile applications, social media integration, programmatic advertisement engines, video streaming and big data solutions to 24x7 on-demand system support services.

Typically, we partner with publishers to digitise their contents into digital media and our digital contents revenues are mainly generated from the digital advertising and user subscription fee.

The Group's revenue in this sector increased 17% from RM 2.55 million (FY2018) to RM 2.99 million (FY2019) due to the increase of online user visitation traffic and page views on the digital content asset developed by AppAsia with our collaboration partners.

c) E-Commerce Business

Our e-Commerce business division is principally involved in providing Business-to-Consumer ("B2C") and Business-to-Business ("B2B") e-Commerce platforms through AppAsia e-Marketplace.

The AppAsia B2B platform provides the online sourcing features for the wholesaler or retailers to source for wholesale products locally and globally whereas AppAsia B2C platform provides online store features to promote ours as well as other merchants' products and services to the online consumers.

The revenue from the e-Commerce business decreased from RM 175.31 million (FY2018) to RM 86.23 million (FY2019). The decrease was mainly due to lower B2B transactions caused by the reimplementation of sales and service tax after the tax holiday in September 2018. Another reason for the drop of B2B sales was because the management imposed stringent filtering criteria for the B2B merchants and transactions with lower credit risks, as part of the Group's credit control policy.

In the B2C sector, the Group has consolidated all the merchants and products into one eMarketplace platform and has started to focus in promoting the virtual products, such as e-coupon, mobile top-up, e-vouchers and the like, which generate better yield and margin.

2) IDENTIFIED RISKS AFFECTING GROUP PERFORMANCE

The Group is operating in the IT industry that is constantly evolving and challenging. Frequent changes in technology and consumer demand require our expertise in creating innovative and sustainable solutions to stay ahead of our competitors, at home and abroad. Besides, the Group is also involved in the finance industry through the moneylending business that may be associated with credit risks.

The identified risks affecting Group performance are:

a) Credit risk

The Group's credit risks primarily comprise trade and other receivables. Credit risks are managed through credit checks using the services of credit reporting and checking agencies. Credit risks are also minimised through selective interaction and association with creditworthy business partners.

In FY2019, the Group continues to adopt stringent credit control procedures. Long outstanding trade receivables, considered as high exposures to risk dependency, were monitored on a regular basis.

b) Technology obsolescence risk

Our Group is highly dependent on the IT technology development for future growth and survival as our products and services are based on technological advantages. Technology obsolescence risk shall be significant to the Group if the process, product, or technology used or produced by the Group for profit may become obsolete, and thus no longer competitive in the marketplace. This would significantly reduce the profitability of the Group.

In order to minimise this risk, the Group shall maintain its commitment to invest in research and development to ensure the Group's products and technology remain competitive in the industry.

c) Competition risk

Our long-term success depends largely on how we continue to secure new business and/or customers to minimise our risk of dependency on a handful of major customers. Furthermore, maintaining cordial and long-term customer relationships are essential to ensure continuity of business.

Notwithstanding our strengths, we continue to face competition from existing and prospective industry players:

i) <u>Competition in ICT Security Market</u>

Extol is one of the longest established ICT security company in the industry. However, like many other industries, there exists many local and foreign companies that provide various ICT security solutions. Besides our proven track record, Extol distinguishes itself with the specialised solutions in certain areas like the anti-phishing, data classification and the latest developed end-to-end encryption solution.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

With the competition around, AppAsia also provides managed cloud and data centre infrastructure solutions that serve as competitive edge on top of our ICT security offerings.

ii) Competition in Digital Contents Market

Our competitors in this sector are typically from major local and foreign applications developers. Some customers are also in preference of hiring in-house IT team for the development of their digital contents solutions. Our challenge is to convince our customers and partners to outsource their digital contents solutions instead of using their existing vendors or in-house team.

To overcome this challenge, we are committed to provide better solution and services. As such, it is our commitment to continuously innovate our digital products so that we can always stay ahead of the competitions. Our proven track record and customers' success stories also provide us with an edge over many competitors. As always, we strive for win-win partnership model with our customers and collaboration partners through revenue sharing.

iii) Competition in the e-Commerce Market

The e-Commerce market is still competitive with the existence of major local e-marketplaces that are backed by strong capital funding.

Since then, the Group has reconsolidated our e-Commerce portals to reduce the operating cost and positioned AppAsia e-Marketplace in a niche area with selected products and merchants. The Group shall continue to operate the e-Commerce business with cautious cost measures and optimise the profit margin per transaction rather than the number of transactions that are currently done by our competitors.

d) **Professional liability risk**

Our professional services, software and hardware solutions are important to ensure the smooth operations of our businesses. Such solutions may be susceptible to system disruption such as virus attack and software or hardware malfunction. Unless rectified timely, this may cause disruption to our customers' operations and may lead to reputation damage, loss of client or legal claims from our customers. We may also incur additional costs to remedy the problems faced by our customers. Our Group provides our customers with limited services warranty and liability. To mitigate our professional liability risk, we have in place quality control procedures and maintain good business relationship with our partners to secure on-time support services.

3) FACTORS AFFECTING GROUP'S RESULTS

Our Group's financial condition and results of operations are subjected to several key factors set out below: -

a) **Technological Advancements or Developments**

Our Group's competitive edge depends substantially on our ability to anticipate and keep ahead of technological advancements to address our customers' needs.

Information technological advancements are often rapid and volatile. Our R&D team aims to remain "ahead of the curve" by: -

i. continuously enhancing existing technology and applications as part of our continuous improvement efforts in line with market demands; and
ii. developing new technology for new solutions to keep pace with the latest advancement especially in the 5G networks, A.I., machine learning and big data technologies.

Our Group aims to produce advanced and innovative products within budget and on timely basis, to consolidate our position as a key player in the IT industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

b) Dependency on Major Contracts

No assurance can be given that the loss of major contracts will not materially affect our Group's business, operating results and financial position. However, our Group will continue to diversify its client base to reduce over-reliance on the few major clients.

c) Cybersecurity and System Disruptions

We are principally operating in a highly technology-driven environment, which is susceptible to various cybersecurity and system disruption risks that may impact the Group's revenue, which is further explained in detail in the Sustainability Statement section on page 14 to page 15 of this Annual Report.

d) Downturn of Other Related Industries

Although the Group is in its effort to diversify its business segments and customers categories across different industries, the economic downturn of other related industries, which our customers or partners are involved in, may indirectly or directly hamper the Group's earnings.

e) Changes on any Acts, Tax, Regulations or Policies

The Group's performance may be affected positively or negatively with any changes to the relevant legal acts, tax regimes, data protection acts, local regulations, industry compliance standards or any other related policies.

f) Impact of Global Crisis

The Group's performance may be affected by the global crisis like the latest COVID-19 outbreak and oil crisis, which caused a global pandemic and economic recession this year. Though the COVID-19 pandemic and oil crisis did not impact directly on the Group's operation, they have constituted major social and economic problems that may have a domino effect on all sectors. The management is working its best to put in all necessary plans and measures to avoid a major impact on the Group's operation and performance.

4) PROSPECTS AND OUTLOOK

In view of the uncertain social and economic environment, the Group is cautious in its strategy in spending while exploring new market. The Group continues to expand its provision to the market from ICT security solutions to digital platform, e-Commerce, cloud and the latest money lending business. The Group remains focus on the products and projects that can provide long term value to the Group.

The prospects and outlook of each business sector are explained in the following section.

A) ICT Security Business

As cyber threats have gained importance, security solutions have progressed as well. Factors such as rise in malware and phishing threats, and growth in adoption of IoT (internet of things) and BYOD (bring your own device) trend among organisations, are driving the cyber security industry growth.

The managed security service segment is still the major contributor to our revenue in the ICT security business and is expected to remain our growth target in near future, due to increase in need to monitor external and in-house threats for large as well as small and medium enterprises.

Growing demand for cloud-based cyber security solutions is also one of the major factors fueling the market growth. The cloud segment is expected to exhibit significant growth rate in the cyber security market in near future. The growth of this segment is mainly attributed to low maintenance cost, which is majorly preferred by small and medium enterprises. On the contrary, the on-premises segment is also expected to grow at a steady pace in near future.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The large enterprises segment especially from financial as well as oil and gas industries generated the highest revenue of the Group's ICT security market in FY2019 and the growth of this segment is mainly attributed to the major focus on implementing effective security solutions by large enterprises, due to their expanded perimeter. However, the Group is cautious on the possible reduction of ICT security spending budget due to the latest global economic crisis that may significantly affect all and sundry.

However, the ICT business is expected to maintain the growth in the coming year. The growth of this sector is expected to be from the need for providing sealed security and digital privacy in financial institutions. In addition, the rise in adoption of smartphones, internet banking, and cloud are also fueling the cyber security market growth in this sector. Increases in the need for strong authentication and encryption techniques are also expected to provide opportunities for the Group with its latest end-to-end encryption solution.

B) Digital Platform Business

The digital contents business shall be integrated into the digital platform business in FY2020 which will provide for full fledge of digital platform solutions. This allows us to be involved in all sectors of digital platform solutions besides digital contents.

In this sector, AppAsia shall provide digital transformation solutions with our digital platform technology and products which include digital contents, online publishing, digital advertising, advanced mobile applications, artificial intelligent engine, big data system, video streaming, podcasting and industry-wide digital platforms such as the upcoming eConfirm.my platform. AppAsia also provides digital platform managed services ranging from 24x7 system support, operation assistance to technology management for our customers and collaboration partners.

The digital platform market is one of the fastest growing market with a huge market size due to its limitless innovation, transformation and evolution business nature. In recent years, we have witnessed the rise of the digital platform economy.

The rising demand for cost effective and flexible solution for better consumer satisfaction is one of the major factors which is driving the growth of digital platforms market. Also, the rising smartphone and tablet market is enthralling many organisations to adopt digital platform in order to identify immediate needs in digital customer experience. Apart from this, the emergence of digital commerce and increased technological investments such as cloud computing is supporting the rapid adoption of digital platforms in various enterprises.

New technologies will continue to shape the digital platform landscape. Some large platform companies see AI as the key to future growth and productivity. For others, it is believed that 5G shall bring the most potential to the digital platform industry. Projections indicate that one billion 5G devices for enhanced mobile broadband will be connected by 2023, with extended deployment in closed ecosystems.

In view of the above potentials, the Group has put forward the following business strategies to capitalise on the digital transformation wave across all industries while cognisant of minimising the risks:

a) Providing our digital platform solutions to our customers through subscription or revenue sharing partnership model

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

- The Group continues to innovate its current digital content products and solutions to cease the opportunity of the latest 5G network and big data technology in near future. We shall focus to develop technology especially in the smart mobile apps, video streaming, content personalisation, artificial intelligent engine and big data analysis areas that shall add on to our core competency and offerings to the industry.
- Besides the existing digital platforms contracts, the Group has recently signed up a collaboration agreement in 1st quarter of 2020 with a major publisher to provide the digital platform solution to its large user base with revenue sharing model. This indicates an important milestone for the Group to expand its digital reach to a new set of online users that contributes major market share in Malaysia. As such, the Group is looking forward to expand further in the Digital Platform business.

b) Building our own digital platforms

- The Group shall be developing and building our own digital platforms. The Group has recently launched its new digital platform- eConfirm.my in May, 2020, which has been in its planning and development in the past 2 years. eConfirm.my is the first and only industry-wide electronic bank confirmation platform - eConfirm.my, that is in collaboration with Malaysian Institute of Accountants ("MIA"), to provide electronic bank confirmation to all the auditors and banks operating in Malaysia. The collaboration agreement with MIA shall last for a total of 12 years from 2018 until 2030 with pay-per-transaction revenue model. This platform shall provide an efficient and secured online system to process most of bank confirmations required for every company's audit process. In view of its unique business model and cutting-edge technology, this platform has the potential to be exported to other countries in near future after the successful implementation in Malaysia.

c) Acquisition of any potential digital platforms through investment or acquisition

- In order to succeed in the digital platform industry with minimum risks, it requires strong innovation in business ideas, dedicated team and fast to market strategy. As such, the Group shall be looking for any good investment or acquisition opportunity in any digital platform business with great potential.

C) E-Commerce Business

In view of the current situation, our B2C e-Commerce business shall have to focus on promoting virtual products like e-vouchers, virtual points as well as other niche market. The Group shall also remain cautious in spending and avoid huge marketing expenditures while expanding in this sector. At the same time, the Group shall be promoting the B2B eMarketplace business with cautious cost control.

In conclusion, the management team is positive about the Group's future growth and it is heading towards the direction that is aligned with the Group's goal to become a significant provider in the information technology sector in near future.

CORPORATE SUSTAINABILITY STATEMENT

The Group continues to assess and evaluate the impact of the business operations from the triple bottom-line of Economic, Environmental and Social ("EES"). As a responsible corporate organization, the Group is committed to sustainability and has embraced its journey of progression with enthusiasm and purpose.

Through the statement, we wish to share with our stakeholders how value creation and perseverance are done through the way sustainability is integrated in our policies and practices. We continue to put in more effort in achieving our sustainability goals by focusing on the EES. Focusing on these three aspects helps to pinpoint what the important matters are and therefore, allowing us to identify the risks and opportunities more efficiently. This statement covers the businesses of AppAsia Berhad and all its subsidiaries during the period of 1 January 2019 to 31 December 2019.

Governance Structure

The Board of Directors of AppAsia Berhad adopts a sustainability governance approach that is fit for the Group's purpose considering amongst others, its culture, needs, sustainability-related risks and opportunities and level of maturity of its sustainability thinking and readiness.

The Board is responsible for embedding sustainability into the Group to complement its business strategy. The Board reviews and approves the Group's sustainability strategies and ensures that adequate resources, systems and processes are in place for managing sustainability matters.

Stakeholders Engagement

The Group recognises the importance of actively engaging with our stakeholders as we believe it is a key factor for an organisation to be successful. Multiple effective communication channels are provided to our stakeholders to ensure that our stakeholders understand the Group's business including our financial performance, business values and prospects. Our stakeholders who have direct or indirect involvement with the Group are identified in the table below:

Stakeholders	Forms of Engagement	Frequency	Engagement focus / objectives
Employees	Meeting and discussion Training Annual performance review Annual dinner	Annually/ Quarterly	Career progression Employee development needs
Customers	Meetings Complaints or feedbacks Advertisement	Ongoing	Product's quality and deliverability
Shareholders	Annual General Meeting Announcements to Bursa Circulars Company's website Advertisement of notice	Ongoing	Shareholders' engagement

In our website, we update the Group's information on a regular basis to provide convenience to our stakeholders in obtaining information about the Group and also provide our contact information in our website to enhance communication with our stakeholders.

Economic

We recognise that some of our businesses affect the economic conditions of our stakeholders and we have identified the following three (3) material sustainability matters ("Material Matters"):-

- Industry Impact and Client Relationship
- Intellectual Property
- Cyber Security and System Interruption

a) Industry Impact and Client Relationship

We are cognisant that our business model can be potentially impacted by the strength of our client relationship capital as well as technology or intellectual property capital. Any change in government or corporate policies as well as new emerging technologies in the industry may impact our business model and with that affect the financial and non-financial performance of the Group.

CORPORATE SUSTAINABILITY STATEMENT (CONT'D)

As such, we continue to seek ways to strengthen and solidify our business model through a wide range of strategies. These include market diversification to beyond a single business segment, which includes a better spread of revenue from corporate and commercial products, the creation of new products and services beyond our traditional portfolio and constant investment into product development to ensure we are first to market with new and improved solutions that address the pain points of today's consumers and businesses.

b) Intellectual Property

Intellectual Property ("IP") enables the Group to retain its competitive edge. The development of intellectual assets is crucial to ensure we remain as a key market player in the respective business area that the Group is engaged.

Beyond protecting IP, our focus is to encourage the development of IP via product and service innovation. Our focus is to constantly seek new ways to innovate and invent to create value for stakeholders. Convenience and cost effectiveness remain the commercial driving factors that guide our innovation efforts towards the development of IP.

Stringent policies have been drawn up to ensure that the Group's IP is well protected. These policies provide for the need to file patents on innovations and trademark of logo developed by the Group.

The Group also seeks to expand the IP development by tapping on external knowledge by way of collaborations, with local institutions, as well as through any investment opportunities in various promising technology start-ups from time to time in near future. These partnerships offer us better cost control while expanding our capabilities in developing new products.

c) Cybersecurity and System Interruption

We are principally operating in a highly technology-driven environment. As a result, we are susceptible to various security risks principally, cyber attacks/hacking and industrial espionage which may include theft of proprietary intellectual property, confidential customer data and strategic planning data. In the event that any of the foregoing adverse events occur, there is a high probability of a complete system shutdown.

In addition, interruptions in our services could result from the failure of our telecommunication providers to deliver the necessary data communication's capacity in the timeframe required. Our platform technology resides on the private or public cloud environment. The continuing and uninterrupted performance of these systems is critical to our business as a substantial portion of our revenue is dependent on the continuing availability of these systems.

We continue to adopt a stance of pro-active vigilance to prevent any such untoward incidents. Over the years, we have invested practically in our security systems to defend ourselves against cyberattacks of various kinds and to ensure that our operations are always on track and our services continuously available.

The Group maintains a high standard of IT control and compliance by establishing a clear information and communication technology security policy. In addition, the Group also develops the information security management system (ISMS) framework adhering to ISO 27001 and other information security management quality standards.

Environmental

The Group believes in the importance of being conscious of environmental impacts and mitigating global issues of climate change. As such, the Group continuously evaluates various green solutions and technologies that can be implemented in the Group's projects and operations for greater efficiency and minimising carbon footprint.

It has become a norm for the Group to indulge in practising green technology and energy saving practices in their own workplace. Not only does it have a tremendous effect on the environment, but it also displays the effort of the Group in preserving and protecting mother nature, as well as educating the employees to apply ways and habits in conserving the environment in their everyday life.

(a) Energy Consumption

Our continuous effort in reducing electricity consumption has brought us positive result in 2019. The electricity consumption across the Group has reduced from 71,000 kW to 59,000 kW as shown in Table 1.0.

CORPORATE SUSTAINABILITY STATEMENT (CONT'D)

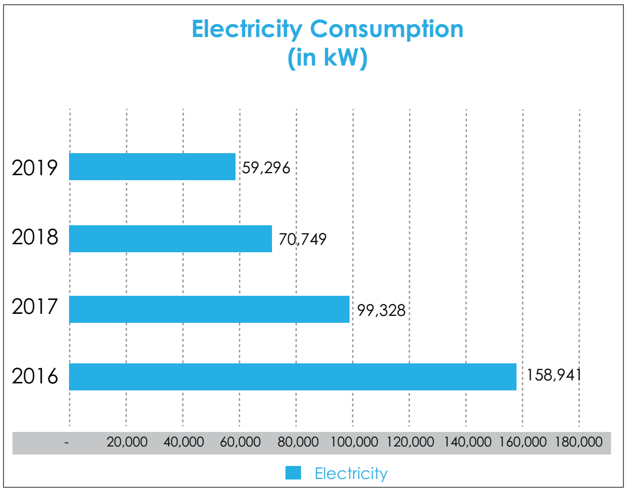


Table 1.0

(b) Waste Management

Other than reusing and recycling used papers, handling of electronic waste or e-waste generated is also the Group's priority. Over the years, technology advances resulted in the increase of obsolete rate for computers and laptops. The Group would then sell usable obsolete equipment to our IT device supplier to salvage for parts to resell or recycle.

Social

We acknowledge that human capital is the main driving force for a successful and sustainable business. Therefore, we put in a lot of effort in achieving a better employee diversity, improving occupational health, safety and well-being of our employees and strengthening skills and knowledge of our employees.

(a) Employee Diversity

We aim to keep our workforce diversified as this allows sharing of broader knowledge, skills and experience among our staff. Contributions by employees are recognised based entirely on performance and capability instead of race, ethnicity and gender.

(b) Occupational Health, Safety and Well-being

To make sure our employees can perform at their optimum capacity, we take the physical, mental and emotional wellness of our employees very seriously. The workplace complies with all applicable health and safety laws and regulations and it is well-equipped with safety measures such as fire sprinklers, CCTVs and emergency kits.

In addition, every employee is given rest time to prevent fatigue and working hours will be reduced especially for our Muslim colleagues during the fasting month. Besides, employee benefits such as gym membership, medical checkup and dental treatment are provided to all of our employees to cultivate work-life balance and health consciousness. During festive seasons, employees are also invited to attend lunch or dinner organised by the management team.

(c) Workforce Learning and Development

To achieve our objective of running a sustainable business, we need to have a well-skilled and future-ready workforce supporting the goal of the company. We always push

CORPORATE SUSTAINABILITY STATEMENT (CONT'D)

our employees to practice life-long learning and continuous improvement. Therefore, employees are encouraged to recommend or join any seminar or training that is relevant to their job scope. In 2019, the Group sent its employees for trainings and seminars on a regular basis. This investment shows our commitment in keeping their knowledge and relevant skills which in turn would contribute to the sustainability of the Group.

(d) Anti-Corruption and Whistleblowing Policies

The Board of Directors is committed to upholding the highest standard of work ethics in all lines of our businesses. Therefore, there are safeguards in place for all employees to disclose any improper through the Whistleblowing Policies implemented. The details regarding the Whistleblowing Policies can be viewed on our website at www.appasia.com

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board of AppAsia recognises the importance of corporate governance and is committed to ensuring that the principles and best practices in corporate governance as set out in the Malaysian Code on Corporate Governance ("MCCG") are observed and practised throughout the Group so that the affairs of the Group are conducted with integrity and professionalism with the objective of safeguarding shareholders' investment and ultimately enhancing shareholders' value.

This statement is prepared in compliance with ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and it is meant to be read together with the Corporate Governance Statement and Corporate Governance Report. The Corporate Governance Report provides details on how the Company has applied each practices as set out in the MCCG for FY2019, a copy of which is available on the Group's website.

This statement further outlines the following principles and recommendations which the Group has comprehended and applied with the best practices outlined in MCCG and the Board will continue to take measures to improve compliance with principles and recommended best practices in the ensuing years: -

- Board Leadership and Effectiveness
- Effective Audit and Risk Management
- Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

BOARD LEADERSHIP AND EFFECTIVENESS

The Board has considered and discussed a wide range of matters during the FY2019, including strategic decisions and reviewing of risk associated matters in the business. The Board is aware that decisions made for the business of the Group would affect a broad range of our stakeholders. While the Board seeks to ensure that the decisions were taken in a way that was fair and consistent with the Group's values, the Board also recognised the importance of balancing these with the need to support the long-term future of the business.

In order to ensure orderly and effective discharge of the above functions and responsibilities of the Board, the Board has established various committees where specific powers of the Board are delegated to the relevant Board Committees.

The Board has a formal schedule of matters reserved for deliberation as set out below, to ensure good governance is in place for the Group:-

a) Approval of corporate plans and programmes;
b) Approval of annual budgets, including major capital commitments;
c) Approval of new ventures;
d) Approval of material acquisitions and disposals of undertakings and properties; and
e) Changes to the management and control structure within the Group, including key policies, delegated authority limits.

Moving forward, the Board, being in line with the national target of having 30% women on the boards of the listed issuers, will maintain a register of potential directors which include high-calibre female candidates and appoint them when the need arises.

EFFECTIVE AUDIT AND RISK MANAGEMENT

The Audit Committee ("AC") plays a key role in ensuring integrity and transparency of corporate reporting. The AC's role is to review and challenge Management to ensure that appropriate disclosures of accounting treatment and accounting policies are made. The AC has a duty to provide assurance to the Board that robust risk management, controls and assurance process are in place. The AC continues to monitor the potential risks of the Group and ensures that mitigating factors are in place to see to the health, safety and business continuity of the Group.

Risk Management is a critical component of good management practice and effective corporate governance. With the Risk Management Framework being in place, the Board's decision-making is supported by sufficient information for the right discussions and considerations. The enhanced level of risk debate and greater involvement from the Management are also critical in ensuring that appropriate monitoring and mitigations are embedded to support the proposals under discussion.

The AC with the assistance of the Internal Audit had undertaken a thorough review of the following areas within the Group to ensure that appropriate controls and effective management process are in place: -

- Human Resources
- Sales
- Process of delivery mobile application to users
- Administration and Accounts related process
- Security Control on Confidential Information
- Purchase
- Corporate Governance

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Annually, the composition of the AC is reviewed by the Nomination Committee ("NC") and recommended to the Board for its approval. With the view to maintain an independent and effective AC, the NC ensures that only Independent Non-Executive Directors who have the appropriate level of expertise and experience and have the strong understanding of the Group's business would be considered for membership on the AC.

The Board will continue to drive a proactive risk management culture and ensure that the Group's employees have a good understanding and application of risk management principles towards cultivating a sustainable risk management culture. The Board will also continue to challenge the Group's risk reporting mechanism and ensure that it is data-driven to capture and quantify exposures where applicable and necessary.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Group recognises the importance of stakeholder engagement to the long-term sustainability of its businesses, and this means that as a Company, we must interact with, and acknowledge the potential impact of our operations upon a wide range of stakeholders in our duty as a responsible Company. For engagement to be constructive and meaningful, each matter considered by the Board therefore has to be in the context of relevant economic, social and environmental factors.

The Company has heightened its engagement efforts with stakeholders by engaging discussions with analysts, fund managers and shareholders, both locally and overseas, upon requests.

Moving forward, the Board intends to adopt a more mature form of sustainability reporting to stakeholders by implementing the International Integrated Reporting Framework in the Annual Report, allowing stakeholders to have a better understanding on the Group sustainability.

PRELUDE

Over the next few pages, we would look at the Board, its role, performance and oversight. We will provide details on the Board's activities and discussions during the financial year, the actions arising from these and the progress made against them. We also provide an insight on director independence effectiveness and our Board evaluation, succession planning and induction and ongoing developments.

Good corporate governance of AppAsia is an important element of our Board environment. To support how we run the business and how we serve our stakeholders, we need to be relevant, authentic and meaningful. The Board has used the three (3) key principles of MCCG to articulate the Board's activities during the year: -

- Board Leadership and Effectiveness (page 19 to page 29)
- Effective Audit and Risk Management (page 29 to page 30)
- Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders. (page 30 to page 31)

The required governance and regulatory assurance are provided throughout this statement reflecting their relevance to the business. The Company's application with the key practices and any departure thereof of MCCG is set out in the in the Company's Corporate Governance Report.

BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

1. Board of Directors' Duties and Responsibilities

The Company and the Group acknowledge the pivotal role played by the Board in the stewardship of its directions and operations, and ultimately the enhancement of long-term shareholders' value. To fulfil this role, the Board plays a critical role in setting the appropriate tone at the top and is charged with leading and managing the Group in an effective, good governance and ethical manner. The directors individually have a legal duty to act in the best interest of the Group and are also collectively aware of their responsibilities to the stakeholders for the manner in which the affairs of the Group are managed. The Board's responsibilities, amongst others include the following: -

a) Review and approve the annual corporate plan for the Group, which includes the overall corporate strategy, sustainability strategy, business development and marketing plan, human resources plan, IT plan, financial plan, budget, regulatory plan and risk management plan;

b) Review and approve strategic initiatives including corporate business restructuring or streamlining and strategic alliances;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

c) Oversee the conduct of the Group's businesses to evaluate whether the businesses are being properly managed;

d) To ensure that the Company has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate responsibility;

e) Identify principal risks and ensure the implementation of appropriate systems to manage these risks;

f) Approve the nomination, selection, succession policies, and remuneration packages for the Board members, Board Committee members, Nominee Directors on the functional Boards of the subsidiaries and the senior management, and the annual manpower budget for the Group, including managing succession planning, appointing, training, fixing the compensation of, and where appropriate replacing senior management or key management personnel;

g) Approve the appointment, resignation or removal of Company Secretaries of the Company;

h) Develop and implement an "investor relations programme" or "shareholder communications policy" for the Group;

i) Review the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;

j) Review and approve the Financial Statements encompassing annual audited accounts and quarterly reports, dividend policy, credit facilities from financial institutions and guarantees;

k) Review and approve the Audit Committee Report and Statement of Risk Management and Internal Control for the Annual Report;

l) Prepare a Corporate Governance Overview Statement on compliance with MCCG for the Annual Report;

m) Review and approve investment policies and guidelines for the Company's surplus funds, asset allocation policy and policy on exposure limits on investment with banking institutions;

n) Review and approve the capital expenditure, purchase of fixed assets, operating expenditure, variation order and any other matters in accordance with the Authority Limits Document;

o) Approve the appointment of external auditors and their related audit fees; and

p) Initiate a Board self-evaluation program and follow-up action to deal with issues arising and arrange for directors to attend courses, seminars and participate in development programs as the Board judges appropriate.

To assist in the discharge of its responsibilities, the Board has established the following Board Committees to perform certain of its functions and to provide recommendations and advice:

(i) Nomination Committee ("NC")
(ii) Remuneration Committee ("RC")
(iii) Audit Committee ("AC")
(iv) Share Issuance Scheme Committee ("SIS")

Each Board Committee operates within their approved terms of reference set by the Board which are periodically reviewed. The Board appoints the Chairman and members of each Board Committee.

The Chairman of the respective Board Committees will report to the Board on the outcome of any discussions and make recommendations thereon to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The Board may form other committees delegated with specific authorities to act on their behalf. These committees will operate under approved terms of reference or guidelines and are formed whenever required.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board meeting agenda includes statutory matters, governance and management reports, which include strategic risks, strategic projects and operational items. The Board approves an annual performance contract setting the priorities director and performance targets for the Group within the parameters of the corporate plan.

The profile of each Director is presented on page 4 to page 5 of this Annual Report.

2. Separation of position of the Chairman and Executive Directors

The Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions. The roles of the Chairman and the Executive Directors of the Company are separately held, and each has clearly accepted division of responsibilities and accountability to ensure a balance of power and authority. This segregation of roles also facilitates a healthy open, exchange of views between the Board and Management in their deliberation of the business, strategic aims and key activities of the Company.

The Chairman of the Board, Datuk Wira Rahadian Mahmud Bin Mohammad Khalil, an Independent Non-Executive Chairman, leads the Board with focus on governance and compliance and acts as a facilitator at Board meetings to ensure that relevant views and contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates the discussion. The roles and responsibilities of the Chairman and Executives clearly stated in the Board Charter. A copy of the Board Charter is available at the Company's website, www.appasia.com.

The Executive Directors, namely Toh Hong Chye, Wong Ngai Peow and Yong Mai Fang, oversee the day-to-day operations to ensure the smooth and effective running of the Group. The Executive Directors implement the policies, strategies, decisions adopted by the Board, monitor the operating financial results against plans and budgets and act as a conduit between the Board and Management in ensuring the success of the Group's governance and management functions.

During Board meetings, the Chairman maintains a collaborative atmosphere and ensures that all Directors contribute to the discussion. The Chairman and Executive Directors arrange informal meetings and events from time to time to build constructive relationships between the Board members.

The Executive Directors take on primary responsibility to spearhead and manage the overall business activities of the various business division of the Group to ensure optimum utilization of corporate resources and expertise by all the business divisions and at the same time achieve the Group's long-term objectives. The Executive Directors are assisted by the heads of each division in implementing and running the Group's day-to-day business.

3. Supply of and Access to Information

All Directors have full and unrestricted access to all information pertaining to the Group's businesses and affairs in a timely manner to enable them to discharge their duties effectively.

Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors and Board Committees in advance of the scheduled meetings. Notices of meetings are sent to Directors at least seven (7) days before the meetings. Management provides the Board with detailed meeting materials at least seven (7) days in advance of the Board or Board Committees' meetings. Senior Management may be invited to join the meetings to brief the Board and Board Committees on the requisite information on matters being discussed, where necessary.

Technology is effectively used in the meetings of Board and Board Committees and in communication with the Board, where the Directors may receive agenda and meeting materials online and participate in meetings via audio or video conferencing.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

4. Commitment of the Board

The Board would meet at least five (5) times a year, at quarterly intervals which are scheduled at the onset of the financial year to help facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened where necessary to deal with urgent and important matters that require attention of the Board. All Board meetings are furnished with proper agendas with due notice given and Board papers are prepared by the Company Secretaries and circulated to all Directors prior to the meetings.

All pertinent issues discussed at the Board meetings are properly recorded by the Company Secretaries.

The Board met five (5) times during the FY2019. The attendance of each Director at the Board Meeting held during FY2019 is as follow:-

Directors	Number of meetings attended	%
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	3/5	60%
Toh Hong Chye	5/5	100%
Wong Ngai Peow	5/5	100%
Datuk Low Kim Leng	5/5	100%
Yong Mai Fang	5/5	100%
Tiew Chee Ming	5/5	100%

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at each Board meeting.

At present, all Directors of the Company have complied with the AMLR of Bursa Securities where they do not sit on the board of more than five (5) listed issuers.

5. Directors' Training

The Board, via the Nomination Committee, continues to identify and attend appropriate briefings, seminars, conferences and courses to keep abreast of changes in legislations and regulations affecting the Group.

All Directors have completed the Mandatory Accreditation. The Directors are mindful that they would continue to enhance their skills and knowledge to maximize their effectiveness as Directors during their tenure. Throughout their period in office, the Directors are continually updated on the Group's business and the regulatory requirements.

Details of training programmes attended by the Directors during the FY2019 under review are as follows:

Directors	Date	Programmes attended
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	18 December 2019	Corporate Governance Monitor 2019
Toh Hong Chye	17 January 2019	Special Voluntary Disclose Programme – 5 Things Accountants Shall Do For Tax Payers
	7 March 2019	Latest On Employers' Tax Obligations in 2019
	11 March 2019	Annual Report – What a Director Must Know
	12 September 2019	Latest Updates On Tax Audit & Investigations
Wong Ngai Peow	11 March 2019	Annual Report – What a Director Must Know
Datuk Low Kim Leng	27 February 2019	Sustainability: Governance Towards Long Term Value Creation
	11 March 2019	Annual Report – What a Director Must Know
	31 October 2019	Corporate Governance And Anti-Corruption

Directors	Date	Programmes attended
Yong Mai Fang	17 January 2019	Special Voluntary Disclose Programme – 5 Things Accountants Shall Do For Tax Payers
	7 March 2019	Latest On Employers' Tax Obligations in 2019
	11 March 2019	Annual Report – What a Director Must Know
	18 March 2019	Employment Laws, EPF Act 1991, Socso Act 1969 & EIS (2018)
	12 September 2019	Latest Updates On Tax Audit & Investigations
	16 October 2019	Withholding Tax In Malaysia – Principles & Latest Developments
Tiew Chee Ming	11 March 2019	Annual Report – What a Director Must Know
	21 March 2019	BCSD Malaysia Breakfast Talk Series # 3: Sustainability & Business

The Company Secretaries also highlight the relevant guidelines on statutory and regulatory requirements from time to time to the Board. The external auditors on the other hand, briefed the Board on changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

6. Board Committees

AC

The AC monitors internal control policies and procedures designed to safeguard the Group's assets and to maintain the integrity of financial reporting. The AC maintains direct, unfettered access to the Company's external auditor, internal auditor and management.

The AC comprises three (3) members, all of whom are Independent Non-Executive Directors. The present members of the AC are as follows:

Director	Designation
Tiew Chee Ming	Chairman
Datuk Low Kim Leng	Member
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	Member

A copy of the AC's Terms of Reference can be found in the Company's website.

NC

The NC oversees matters related to the nomination of new Directors, annually reviews the required mix of skills, experience and other requisite qualities of Directors as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director as well as identify candidates to fill board vacancies, and nominating them for approval by the Board.

The NC comprises three (3) members, all of whom are Independent Non-Executive Directors. The present members of the NC are as follows:

Director	Designation
Datuk Low Kim Leng	Chairman
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	Member
Tiew Chee Ming	Member

During the FY2019, the NC held one (1) meeting. Below is a summary of the key activities undertaken by the NC in discharge of its duty:-

(a) Reviewed the re-election of retiring Directors;
(b) Assessed the effectiveness of the Board as a whole and the contribution of each individual Director; and
(c) Reviewed the terms of office of the AC and each member of the AC.

A copy of the NC's Terms of Reference is available at the Company's website.

RC

The RC is responsible for recommending to the Board the remuneration principles and the framework for members of the Board and Senior Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The RC comprises three (3) members, all of whom are Independent Non-Executive Directors. The present members of the RC are as follows:

Director	Designation
Datuk Low Kim Leng	Chairman
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	Member
Tiew Chee Ming	Member

During the FY2019, the RC held one (1) meeting and all member registered full attendance. Below is a summary of the key activities undertaken by the RC in discharge of its duty:-

(a) Reviewed, assessed and recommended the remuneration packages of the Executive Directors and Senior Management.
(b) Reviewed the Directors' fees and other benefits payable to Non-Executive Directors.

A copy of the RC's Terms of Reference can be found in the Company's website.

SIS

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

Officer	Designation
Toh Hong Chye	Chairman
Wong Ngai Peow	Member
Yong Mai Fang	Member

7. Board Charter

The Company has established a Board Charter to promote high standards of corporate governance and the Board Charter is designed to provide guidance and clarity for Directors and Management with regard to the role of the Board and its committees. The Board Charter clearly sets out the key values and principles of the Company and further sets out the duties and responsibilities of the Board, the Chairman, the Executive Directors, the Senior Independent Director and the Board Committees. The Board Charter also provides structure guidance and ethical standards for the Board in discharging their duties towards the Group as well as its operating practices. The Board Charter further entails the following issues and decisions reserved for the Board:-

(a) approval of corporate plans and programmes;
(b) approval of annual budgets, including major capital commitments;
(c) approval of new ventures;
(d) approval of material acquisitions and disposals of undertakings and properties; and
(e) changes to the management and control structure within the Group, including key policies, delegated authority limits.

The Board Charter is reviewed annually by the Board to ensure it complies with legislations and best practices, and remains effective and relevant to the Board's objectives.

A copy of the Board Charter can be found in the Company's website.

8. Code of Conduct and Ethics

The Company has established a Code of Conduct and Ethics which is also enshrined in the Board Charter to promote a corporate culture which engenders ethical conduct that permeates throughout the Group.

The Board is focused on creating corporate culture which engenders ethical conduct that permeates throughout the Company. The Group practices the relevant principles and values in the Group's dealings with employees, customers, suppliers and business associates. The Directors, officers and employees of the Group are also required to observe, uphold and maintain high standards of integrity in carrying out their roles and responsibilities and to comply with the relevant laws and regulations as well as the Group's policies.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board is provided guidance on disclosure of conflict of interest and other disclosure information/requirements to ensure that the Directors comply with the relevant regulations and practices. In order to address and manage possible conflicts of interest that may arise between Directors' interests and those of the Group, the Company has put in place appropriate procedures including requiring such Directors to abstain from participating in deliberations during meetings and abstaining from voting on any matter in which they may also be interested or conflicted. The Directors of the Group are also required to disclose and confirm their directorships and shareholdings in the Group and any other entities where they have interests for the Company's monitoring on a half yearly basis or as and when required.

Notices on the closed period for trading in the Company's shares are sent to Directors and the relevant employees on a quarterly basis specifying the timeframe during which they are prohibited from dealing in the Company's shares, unless they comply with the procedures for dealings during closed period as stipulated in the AMLR.

Details of the Code of Conduct and Ethics can be found in the Company's website.

9. Whistleblowing Policy and Procedure

The Company has adopted a Whistleblowing Policy as the Board believes that a sound whistleblowing system will strengthen, support good management and at the same time, demonstrate accountability, good risk management and sound corporate governance practices. The policy is to encourage reporting of any major concerns over any wrongdoings within the Group.

Details of the Whistleblowing Policy can be found on the Company's website.

10. Company Secretaries

The Board is assisted by qualified and competent Company Secretaries who play a vital role in advising the Board in relation to the Group's constitution, policies, procedures and compliance with the relevant regulatory requirements, codes, guidance and legislations. All the Directors have unrestricted access to the advice and services of the Company Secretaries for the purpose of the conduct of the Board's affairs and the business.

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through attendance at relevant conferences and training programmes. They have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretaries. The Board is satisfied with the performance and support rendered by the Company Secretaries in discharging its functions.

In addition, the Company Secretaries are also accountable to the Board and are responsible for the following:

- Advising the Board on its roles and responsibilities.
- Advising the Board on matters related to corporate governance and the AMLR.
- Ensuring that Board procedures and applicable rules are observed.
- Maintaining records of the Board and ensuring effective management of the Company's statutory records.
- Preparing comprehensive minutes to document Board proceedings and ensuring conclusions are accurately recorded.
- Assisting communications between the Board and Management.
- Providing full access and services to the Board and carrying out other functions deemed appropriate by the Board from time to time.
- Preparing agendas and co-coordinating the preparation of Board papers.

Board Composition

1. Composition and Diversity

The Directors are of the opinion that the current Board size and composition is adequate for facilitating effective decision making given the cope and nature of the Group's businesses and operations. The Board maintains an appropriate balance of expertise, skills and attributes among the Directors which is reflected in the diversity of backgrounds and competencies of the Directors. Such competencies include finance, accounting, legal, digital and other relevant industry knowledge, entrepreneurial and management experience and familiarity with regulatory requirements and risk management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

As at the date of this Statement, the Board consists of one (1) Independent Non-Executive Chairman, two (2) Independent Non-Executive Directors, and three (3) Executive Directors, wherein at least half of the Board comprises Independent Directors. The composition of the Board ensures that the Independent Non-Executive Directors will be able to exercise independent judgment on the affairs of the Company.

The Board of Directors' profile can be found on page 4 to page 5 of this Annual Report.

2. Independency of Independent Directors

The tenure of the Independent Directors has yet to exceed a cumulative term of nine (9) years. Nonetheless, if such Independent Directors exceeded a cumulative term of nine (9) years, the Board would justify and seek annual shareholders' approval. In addition, if the Board continues to retain the Independent Directors after the twelfth (12th) year, the Board would seek annual shareholders' approval to authorise these Independent Directors to continue in office as Independent Directors through a two-tier process.

The Independent Directors play a crucial role in corporate accountability and provide unbiased views and impartiality to the Board's deliberations and decision-making process. In addition, the Independent Directors ensure that matters and issues brought to the Board are given due consideration, fully discussed and examined, taking into account the interest of all stakeholders. The Board, via the NC, assesses each Director's independence to ensure on-going compliance with this requirement annually. The NC is satisfied that the Independent Directors are independent of Management and free from any business or other relationships which could interfere with the exercise of independent judgement, objectivity and the ability to act in the best interest of the Company.

3. Appointment of Board and Senior Management

The Board of Directors comprise of a collective of individuals having an extensive complementary knowledge and competencies, as well as expertise to make an active, informed and positive contribution to the management of the Group in terms of the business' strategic direction and development. The appointment of the Board and its Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

The NC will assess the suitability of the candidates before formally considering and recommending them for appointment to the Board or senior management. In proposing its recommendation, the NC will consider and evaluate the candidates' required skills, knowledge, expertise, competence, experience, characteristics, professionalism. For appointment of Independent Directors, considerations will also be given on whether the candidates meet the requirements for independence as defined in AMLR of Bursa Securities and time commitment expected from them to attend to matters of the Company in general, including attending meetings of the Board, Board Committees and Annual General Meeting ("AGM").

4. Gender Diversity

While the Board of Directors acknowledge the need to promote gender diversity within its composition and endeavour to increase female participation in the Board and Senior Management, it has decided not to set any specific targets as the Board believes that it is more important to have the right mix and skills for such positions.

As at the date of this report, there are 3 female employees involved in the Board and senior management, collectively.

The Company enshrined boardroom diversity into its Board Charter which outlines its approach to achieving and maintaining diversity (including gender diversity) on its Board. This includes requirements for the Board to establish measurable objectives for achieving diversity on the Board and for the appropriate Board Committees to monitor the implementation of boardroom diversity, assess the effectiveness of the Board nomination process and the appointment process at achieving the objectives of boardroom diversification.

5. Identifying Suitable Candidates

Any proposed appointment of a new Member to the Board will be deliberated by the full Board based upon a formal report, prepared by the NC on the necessity for reviewing the qualifications and experience of the proposed director. The NC would be guided by an internal policy on Criteria and Skill Sets for the Board Members in assessing the suitability of the potential candidates for appointment to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Directors being appointed based on the recommendation by the management, the NC is responsible for assessing the suitability of the above mentioned Directors for appointment and opined that the Directors recommended by the management are of suitable calibre and have the necessary knowledge, experience, diverse range of skills and competence to enable them to discharge their duties and responsibilities effectively.

6. Chairman of the NC

The NC is led by Datuk Low Kim Leng, the Independent Non-Executive Director, who directs the NC for succession planning and appointment of Board members and Senior Management by conducting annual review of board effectiveness and skill assessments. This provides the Nomination Committee with relevant information of the Group's needs, allowing them to source for suitable candidates when the need arises.

7. Annual Evaluation

The NC is responsible in evaluating performance and effectiveness of the entire Board, the Board Committees and individual Director on a yearly basis. The evaluation process is led by the NC Chairman and supported by the Company Secretary via questionnaires. The NC reviews the outcome of the evaluation and recommends to the Board on areas for continuous improvement and also for them to form the basis of recommending relevant Directors for re-election at the AGM.

The assessment criteria used in the assessment of Board and individual Directors include a mix of skills, knowledge, Board diversity, size and experience of the Board, core competencies and contributions of each Director. The Board Committees were assessed based on their roles and responsibilities, scope and knowledge, frequency and length of meetings, supply of sufficient and timely information to the Board and also overall effectiveness and efficiency in discharging their function.

The Board evaluation comprises Performance Evaluation of the Board and various Board Committees, Directors' Peer Evaluation and Assessment of the independence of the Independent Directors.

For Directors' Peer Evaluation, the assessment criteria include abilities and competencies, calibre and personality, technical knowledge, objectivity and the level of participation at Board and Committee meetings including his/her contribution to Board processes.

Any appointment of a new Director to the Board or Board Committee is recommended by the Nomination Committee for consideration and approval by the Board. In accordance with the Company's Constitution, one-third (1/3) of the Directors for the time being shall retire from office at each AGM. A retiring director shall be eligible for re-election. The Constitution also provides that all directors shall retire at least once every three (3) years.

During the year, the Board conducted an internally facilitated Board assessment. The results and recommendations from the evaluation of the Board and Committees are reported to the Board for full consideration and action. The Board was comfortable with the outcome and that the skills and experience of the current Directors satisfy the requirements of the skills matrix and that the Chairman possesses the leadership to safeguard the stakeholders' interest and ensure the development of the Group.

The NC also considered the results of the evaluation when considering the re-election of Directors and recommended to the Board for endorsement the Directors standing for re-election at forthcoming AGM of the Company.

Remuneration

The objective of the Group's internal remuneration policy is to provide fair and competitive remuneration to its Board and senior management in order for the Company to attract and retain Board and senior management of calibre to run the Group successfully. The responsibilities for developing the remuneration policy and determining the remuneration packages of Executive Directors and senior management lie with the RC. Nevertheless, it is ultimately the responsibility of the Board to approve the remuneration of Executive Directors and Senior Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Based on the remuneration framework, the remuneration packages for the Executive Directors and Senior Management compose of a fixed component (i.e. salary, allowance and etc.) and a variable component (i.e. bonus, benefit-in kind and etc.) which is determined by the Group's overall financial performance in each financial year which is designed to support our strategy and provides a balance between motivating and challenging our senior managements to deliver our business priorities, as set out by Executive Directors, and strong performance while also driving the long-term sustainable success of the Group.

The level of remuneration of Non-Executive Directors reflects their experience and level of responsibility undertaken by them. Non-Executive Directors will receive a fixed fee, with additional fees if they are members of Board Committees, with the Chairman of the AC or NC receiving a higher fee in respect of his service as Chairman of the respective Committees. The fees for Directors are determined by the Board with the approval from shareholders at the AGM and no Director is involved in deciding his/her own remuneration.

During the financial year under review, the RC had reviewed the remuneration for the Executive Directors and Senior Management which reflects their level of responsibilities as well as the performance of the Group, and considered their remuneration packages are comparable within the industry norm. The RC further discussed the annual salary review for the Executive Directors and Senior Management in line with the budget salary increase for the rest of the organisation. When approving payments for annual bonus, the RC considered the overall performance of the business and of the Executive Directors and Senior Management against this, as well as their individual targets. Bonus payments made to Executive Directors and Senior Management reflected the large proportion of collective measures for the year, in support of focusing on teamwork and simplicity within the pay arrangements.

The details of the remuneration of the Board (on named basis) and top five (5) Key Senior Management (on bands of RM50,000) of the Company comprising remuneration received/ receivable from the Company and the Group for the FY2019 are set out below:-

Directorship	Fees RM	Salaries and Bonus RM	Defined contribution plans RM	* Others RM	Total RM
Company					
Executive Directors					
Toh Hong Chye	-	280,000	53,200	-	333,200
Wong Ngai Peow	-	-	-	8,800	8,800
Yong Mai Fang	-	324,000	61,560	24,600	410,160
Non-Executive Directors					
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	30,000	-	-	12,500	42,500
Datuk Low Kim Leng	30,000	-	-	15,000	45,000
Tiew Chee Ming	18,000	-	-	12,000	30,000
Total	**78,000**	**604,000**	**114,760**	**72,900**	**869,660**
Group					
Executive Directors					
Toh Hong Chye	-	520,000	98,800	-	618,800
Wong Ngai Peow	-	367,500	44,100	16,000	427,600
Yong Mai Fang	-	324,000	61,560	24,600	410,160
Non-Executive Directors					
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	30,000	-	-	12,500	42,500
Datuk Low Kim Leng	30,000	-	-	15,000	45,000
Tiew Chee Ming	18,000	-	-	12,000	30,000
TOTAL	**78,000**	**1,211,500**	**204,460**	**80,100**	**1,574,060**

** Others comprised of benefit in kind and other allowances*

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Remuneration Bands	Number of Senior Management
Less than RM 50,000	1*
RM 50,001 – RM 100,000	1#
RM 100,001 – RM 150,000	2

** Appointed in October 2019*
 # Also an Executive Director of Holding Company

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AC

Presently, the AC consists of three (3) Independent Non-Executive Directors and all of them are financially literate and have sufficient understanding of the Group's business. All the members of the AC undertook continuous professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules.

The Chairman of the AC is not the Chairman of the Board, ensuring that the impairment of objectivity on the Board's review of the AC's findings and recommendation remains intact.

The AC has adopted a terms of reference which sets out its goals, objectives, duties, responsibilities and criteria on the composition of the AC.

In presenting the annual audited financial statements and interim financial statements on a quarterly basis to the shareholders, the Board is responsible to present a clear, balanced and understandable assessment of the Group's performance and position. The AC is entrusted to provide assistance to the Board in reviewing the Group's financial reporting process and accuracy of its financial results, and scrutinising information for disclosure to ensure accuracy, adequacy, completeness and compliance with the accounting standards.

The Board places great emphasis on the objectivity and independence of the external auditors. Through the AC, the Board maintains a transparent relationship with the external auditors in seeking professional advice on the internal control and ensuring compliance with the appropriate accounting standards. The AC is empowered to communicate directly with the external auditors to highlight any issues of concern at any point in time.

The external auditors would meet the AC without the presence of the executive Board members and Management at least two (2) times a year on matters relating to the Group and its audit activities. During such meetings, the external auditors highlight and discuss the nature and scope of the audit, audit programme, internal controls and any other issues that may require the attention of the AC or the Board.

The AC ensures the external audit function is independent of the activities it audits and reviews the contracts for the provision of non-audit services by the external auditors in order to make sure that it does not give rise to conflict of interests. The excluded contracts would include management consulting, internal audit and standard operating policies and procedures documentation.

No former key audit partner of the Company's Auditors is appointed as a member of AC.

For the FY2019, fees paid/payable to the external auditors, Messrs UHY and its affiliated firms by the Company and the Group are stated in the table below:-

Nature of Services	Group (RM)	Company (RM)
Audit services rendered	71,909	22,000
Non-Audit services rendered	3,000	3,000

The external auditors have confirmed to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

Further information on the roles and responsibilities of the AC may be found in the AC Report on page 32 to page 33 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

II. Risk Management and Internal Control Framework

The Board assumes ultimate responsibility for the effective management of risk across the Group, determining its risk appetite as well as ensuring that each business area implements appropriate internal controls. In order to achieve such objective, a risk management framework has been adopted by the Group. The Group's risk management systems are designed to manage and eliminate risks (where possible) to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibility for reviewing the effectiveness of the Group's systems of internal control to the AC. This covers all material controls including financial, operational, compliance and risk management systems. The AC is further supported by a number of sources of internal assurance within the Group in order to determine the adequacy and effectiveness of the framework.

The Group has outsourced the internal audit function as being the most cost-effective means of implementing an internal audit function. The independent third-party service provider of the internal audit services for the FY2019 was S F Chang Corporate Services Sdn Bhd, which reported directly to the AC as specified in the Terms of Reference of the AC. The Internal Auditor carries out is function in accordance with the approved annual Internal Audit Plan approved by the AC. S F Chang Corporate Services Sdn Bhd has approximately 2 audit personnel assisting the person responsible for the internal audit. Details on the person responsible for the internal audit are set out below:-

Name	Chang Siew Foong
Qualification	C.A.(M), FCCA, ACTIM
Independence	Does not have any family relationship with any of the director and/or major shareholder of the Company
Public Sanction or penalty	Has no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

Further information may be found in the Statement on Risk Management and Internal Control on page 34 to page 35 and the MD&A on page 7 to page 13 of this Annual Report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with stakeholders

The Board believes that stakeholders' communication is an essential requirement of the Group's sustainability. In view thereof, stakeholders are informed of all material business events and risks of the Group in a factual, timely and widely available manner. The Board has formalised a corporate disclosure policy and procedure not only to comply with the discourse requirements as stipulated in the AMLR, but also sets out the persons authorised and responsible to approve and disclose material information to all stakeholders.

The Group's financial performance, major corporate developments and other relevant information are promptly disseminated to shareholders and investors via announcements of its quarterly results, annual report, corporate announcements to Bursa Securities and press conferences. It is the Group's practice that any material information for public announcement, including annual, quarterly financial statements, press releases, and presentation to investors, analyst and media are factual and reviewed internally before issuance to ensure accuracy and is expressed in a clear and objective manner.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Company's corporate website includes a dedicated Investor Relations section which provides all relevant information on the Group, including announcements to Bursa Securities, share price information as well as the corporate and governance structure of the Group. Stakeholders are also able to subscribe to e-mail alerts from the Group via the Investor Relation page.

II. Conduct of General Meetings

The AGM is the principal forum for dialogue with shareholders, allowing shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. To ensure shareholders have sufficient time to go through the Annual Report, it is circulated at least twenty-eight (28) calendar days before the date of the AGM. Shareholders are encouraged to vote on the proposed motions by appointing a proxy in the event they are unable to attend the meeting.

During the AGM, a presentation was shown to the shareholders on the Group's performance and major activities which were carried out during the financial year under review. The Board also encourages participation from shareholders by having a question and answer session during the AGM during which the Directors (inclusive of the Chairman of the AC, NC and RC) are available to provide meaningful response to questions raised by the shareholders.

In line with the AMLR, the Company has implemented and will continue to implement poll voting for all proposed resolutions set out in the notice of any general meeting. An independent scrutineer will also be appointed to validate the votes cast at any general meeting of the Company.

AUDIT COMMITTEE'S REPORT

OBJECTIVE

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

COMPOSITION MEETING ATTENDANCE

During the FY2019, the AC held five (5) meetings and the records of the attendance of AC members are as follow:

Directors	Designation	Number of meetings attended	%
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	Chairman	3/5	60%
Datuk Low Kim Leng	Member	5/5	100%
*Tiew Chee Ming	Member	5/5	100%

Note: -
* *Member of the Malaysian Institute of Accountants*

TERMS OF REFERENCE

The scope of duties and responsibilities of the AC stated in the Terms of Reference ("TOR") is made available on the Company's website, www.appasia.com. The Board has reviewed and assessed the performance of the AC and is satisfied that the AC has discharged its functions, duties and responsibilities in accordance with its TOR.

SUMMARY ACTIVITIES

The activities of the AC during the FY2019 include the following:

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

b) Reviewed with external auditors on their Audit Planning Memorandum for the FY2019;

c) Reviewed the Audited Financial Statements of the Group for the FY2019 before recommending to the Board for approval and release of the results to Bursa Securities;

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

e) Evaluated the performance of the external auditors for the FY2019 covering areas such as caliber, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;

f) Reviewed and approved the non-audit services provided/to be provided by the external auditors and its affiliates to ensure the provision of the non-audit services does not impair their independence or objectivity as external auditors of the Group and the Company;

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

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

i) Reviewed and approved on the Internal Audit Planning Memorandum for the FY2019 to ensure adequate scope and coverage of the activities of the Group and the Company which was prepared based on risk-based approach;

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

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

l) Reviewed related party transactions and conflict of interest situation that may arise within the Group and/or the Company, to ensure that transactions entered into were on arm's length basis and on normal commercial terms;

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

AUDIT COMMITTEE'S REPORT (CONT'D)

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

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

INTERNAL AUDIT FUNCTIONS

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

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

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

During the FY2019, the following activities were carried out by the internal auditors in discharge of its responsibilities:

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

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

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

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

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

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

For further details on the risk management, internal controls and internal audit functions, please refer to the Statement on Risk Management and Internal Control on page 34 to page 35 in this Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of AppAsia is pleased to provide the following Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the AMLR of Bursa Securities and the MCCG with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

RESPONSIBILITIES

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its responsibility for maintaining a sound risk management framework and internal control system, and ensuring its adequacy and effectiveness.

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

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

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

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

RISK MANAGEMENT FRAMEWORK

Risk management is firmly embedded in the Group's management system as the Board firmly believes that risk management is critical for the Group's sustainability and the enhancement of shareholder value. Key management staff and Heads of Department are delegated with the responsibility to manage identified risks within defined parameters and standards.

Periodic Management Meetings which are attended by the Department Heads and key management staff are held to: -

- communicate the vision, roles and direction of the Group and priorities to all the employees and key stakeholders;
- identify, assess and evaluate the key risks of the Group that affect its goals and objectives for the year under review; and
- propose the appropriate mitigating controls and the significant risks that affect the Group's strategic and business plans, if any, to the Board at their scheduled meetings.

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

INTERNAL CONTROL SYSTEM

The key elements of the internal control system that provide effective governance and oversight of internal control are described as follow: -

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

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

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

INTERNAL AUDIT FUNCTION

The Group had appointed an independent professional firm, S F Chang Corporate Services Sdn. Bhd. ("SFC") to assist the Board and AC in performing regular and systematic review and provide independent assessment on the adequacy, efficiency and effectiveness of the Group's risk management and internal control system. SFC is free from any relationship or conflict of interest, which may impair their objectivity and independence of the internal audit function.

The total costs incurred in respect of the outsourced of internal audit functions for the FY2019 was RM 21,500.

During the FY2019, internal audit visits were carried out and the findings of the internal audit, including the recommended corrective actions, were presented directly to the AC.

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

CONCLUSION

For the financial year under review and up to the date of approval of this statement, the Board is of the opinion that the risk management and internal control system of the Group currently in place is adequate and effective to safeguard the Group's interests and assets.

In addition, the Board has received reasonable assurance from the Executive Directors that the Group's risk management and internal control system are adequate and operate effectively, in all material respects.

The Board will continually assess and monitor the adequacy and effectiveness of the risk management and internal control system of the Group and to strengthen it, as and when necessary.

This statement is made in accordance with a resolution of the Board of Directors dated 21 May 2020.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS

During the FY2017, the Company has issued 31,381,000 new ordinary shares, being 10% of its existing paid-up number of ordinary shares via a private placement at an issue price of RM 0.3312 per share. The private placement raised total proceeds of RM 10.393 million which were expected to be fully utilised within twelve (12) months from 18 December 2017.

As disclosed in the Company's announcement dated 27 February 2019, the proceeds utilisation for working capital and future business expansion has been extended for a further twelve (12) months.

Purpose	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Re-allocation (RM'000)	Balance utilisation (RM'000)	Intended Time Frame	Revised Time Frame
Working capital of the Group	7,835	(8,258)	423*	-	within 12 months	within 24 months
Future business expansion	2,267	(2,011)	(256)*	-	within 12 months	within 24 months
Other proposal expenses	291	(124)	(167)*	-	within 2 weeks	-
Total	10,393	10,393	-	-		

** In view of the actual expenses incurred in relation to the private placement being lower than estimated, the excess has been utilised for working capital purposes.*

SHARE ISSUANCE SCHEME ("SIS")

The SIS of the Company is governed by the SIS By-Laws and was approved by shareholders on 15 November 2014. The SIS option granted may be exercised any time upon the satisfaction of vesting conditions of each offer. The SIS is in force for a period of five (5) years effective from 24 March 2015 which is expiring on 12 March 2020, has been extended for another five (5) years to 12 March 2025 in accordance with the terms of the SIS By-Laws.

Movement of 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 (RM)	At 1.1.2019 ('000)	Exercised ('000)	Lapsed ('000)	At 31.12.2019 ('000)
24 MARCH 2015	0.183	10,920	-	-	10,920

Please refer to page 102 and page 103 of this Annual Report for the further details on the Share Issuance Scheme.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

MATERIAL CONTRACTS

There were no material contracts entered into by the Group during FY2019 involving the interests of the Directors and major shareholders.

CONTRACT RELATED TO LOANS

There were no material contracts relating to loans entered into by the Group during FY2019 involving Directors and major shareholders.

RECURRENT RELATED PARTY TRANSACTIONS

At the 15th AGM of the Company held on 1 June 2019, the Company obtained a mandate from its shareholders for recurrent related party transactions ("RRPT") of a revenue or trading in nature with related parties.

The details of RRPTs conducted during the FY2019 pursuant to the shareholders' mandate are set out below:

AppAsia and/or its subsidiaries	Transacting Parties	Nature of Transactions	Aggregate value of transactions from 1.1.2019 to 31.12.2019 (RM)
AppAsia Group	Richmond Virginia Tobacco Sdn Bhd	Renting of office premises	230,787

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

The Directors are required by the Companies Act 2016 to prepare the financial statements for each financial year which have been made out in accordance with the applicable approved accounting standard in Malaysia.

The Directors are responsible to ensure that the financial statements is given a true and fair view of the financial position of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have observed the following criteria:

- overseeing the overall conduct of the company's business and that of the group;
- identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
- reviewing the adequacy and integrity of internal controls system and management information system in the company and within the group;
- adopting suitable accounting policies and apply them consistently;
- making judgements and estimates that are reasonable and prudent; and
- ensuring that the financial statements were prepared on a going concern basis and in compliance with all applicable approved accounting standard in Malaysia subject to any material departures, if any, were disclosed.

The Directors are satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2019, appropriate accounting policies were used and applied consistently, and adopted to include new and revised Malaysian Financial Reporting Standards where applicable. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

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.

DIRECTORS' REPORT (CONT'D)

Other Statutory Information (Cont'd)

(d) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in the notes to the financial statements; and

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

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
<u>Trade receivables</u> Refer to Note 2(d) (Significant Accounting Judgements, Estimates and Assumptions) and Note 10 (Trade receivables) to the financial statements. We focused on this area because the management make judgements over both the events or changes in circumstances indicating that trade receivables are impaired and the estimation of the size of any such impairment. The trade receivables are monitored individually by management and therefore the impairment is assessed based on knowledge of each individual receivable.	Our audit procedures included, amongst others: • 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	
		2019	2018	2019	2018
	Note	RM	RM	RM	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

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	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)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	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*.

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

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.

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:

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

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.

<u>Development expenditures</u>

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.

<u>Recoverability of development expenditures</u>

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.

<u>Amortisation of intangible assets</u>

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).

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.

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.

<u>As lessee</u>

(i) Finance lease

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

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

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

(ii) Operating lease

Leases, where the Group or the Company 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.

<u>As lessor</u>

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.

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

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.

Financial assets measured at amortised cost

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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.

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 RM	2018 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.

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

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.

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	Group 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).

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

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

24. Finance Cost

	Group and Company 2019 RM	2018 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 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 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		Company	
	2019 RM	2018 RM	2019 RM	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		Company	
	2019 RM	2018 RM	2019 RM	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		Company	
	2019 RM	2018 RM	2019 RM	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

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

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.

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

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

Date of offer	Exercise price	Number of options over ordinary shares 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

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

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 RM	**2018 RM**	**2019 RM**	**2018 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	**2018**
	RM	**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	**2018**
	RM	**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	**2018**
	RM	**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

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

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

(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

<u>Foreign currency sensitivity analysis</u>

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)

	Change in currency rate RM	2019 Effect on profit before tax RM	Change in currency rate RM	2018 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)

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

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

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

(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).

<u>Non-derivative financial instruments</u>
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 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

<u>Share Capital Reduction</u>

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.

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

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.

LIST OF PROPERTIES

No	Title Details/ Postal Address	Description of property / Existing use	Built-up Area / Land Area (Sf)	Approximate Age of Building (Years)	Tenure	Audited Net Book Value as at 31.12.2019 RM	Date of Acquisition
1	No. 101, 101A, 101B & 101C, Persiaran Pegaga, Taman Bayu Perdana, 41200 Klang, Selangor	Office Lot	1,496	24 years	Freehold	1,198,167	15 December 2015
2	No. 103, 103A, 103B & 103C, Persiaran Pegaga, Taman Bayu Perdana, 41200 Klang, Selangor	Office Lot	1,496	24 years	Freehold	1,104,000	15 December 2015

ANALYSIS OF SHAREHOLDINGS AS AT 2 JUNE 2020

SHARE CAPITAL

Total Number of Issued Shares	: 345,249,800 (including 4,511,900 treasury shares)
Class of Shares	: Ordinary Shares
Voting Rights	: One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 2 JUNE 2020

Size of Holding	No. of shareholders	% of shareholders	No. of Shares @	% of shares
1 – 99	16	0.94	269	0.00
100 - 1,000	282	16.64	102,850	0.03
1,001 - 10,000	532	31.39	3,609,581	1.06
10,001 - 100,000	677	39.94	26,020,300	7.64
100,001 - 17,036,894 *	185	10.91	222,103,600	65.18
17,036,895 AND ABOVE **	3	0.18	88,901,300	26.09
Total	**1,695**	**100.00**	**340,737,900**	**100.00**

Remark:
@ *excluding a total of 4,511,900 ordinary shares bought back by the Company and retained as treasury shares as at 2 June 2020.*
* *- Less than 5% of Issued Shares*
** *- 5% and above of Issued Shares*

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

		No. of Ordinary Shares held			
No.	**Name of Substantial Shareholders**	**Direct**	**%**	**Indirect**	**%**
1	Richmond Virginia Tobacco Sdn. Bhd.	42,000,000	12.33	-	-
2	Toh Hong Chye	46,901,300	13.76	42,000,000*	12.33*

* *Deemed Interest through Richmond Virginia Tobacco Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.*

DIRECTORS' SHREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDING

		No. of Ordinary Shares held			
No.	**Name of Directors**	**Direct**	**%**	**Indirect**	**%**
1	Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	-	-	-	-
2	Toh Hong Chye	46,901,300	13.76	42,000,000*	12.33*
3	Wong Ngai Peow	2,903,000	0.85	-	-
4	Datuk Low Kim Leng	1,000,000	0.29	-	-
5	Yong Mai Fang	7,100,000	2.08	42,000,000*	12.33*
6	Tiew Chee Ming	-	-	-	-

* *Deemed interest through Richmond Virginia Tobacco Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.*

ANALYSIS OF SHAREHOLDINGS AS AT 2 JUNE 2020 (CONT'D)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 2 JUNE 2020)

No.	Name of Shareholders	No. of Shares	%
1	RHB Capital Nominees (Tempatan) Sdn. Bhd. For Richmond Virginia Tobacco Sdn. Bhd.	42,000,000	12.33
2	RHB Nominees (Tempatan) Sdn. Bhd. Toh Hong Chye	26,901,300	7.89
3	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Toh Hong Chye	20,000,000	5.87
4	Dato' Sri Lee See Yang	16,999,900	4.99
5	RHB Capital Nominees (Tempatan) Sdn. Bhd. Lim Siew Boey	16,900,000	4.96
6	Datin Sri Fong Poh Chee	16,800,000	4.93
7	RHB Capital Nominees (Tempatan) Sdn. Bhd. Tan Chin Hoong	16,499,300	4.84
8	Tengku Puteri Zainah Binti Tengku Eskandar	15,500,000	4.55
9	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Liaw Tze Shung @ Richard (E-KKU)	15,088,800	4.43
10	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Yen Soon Ai	13,463,800	3.95
11	Tan Vin Shyan	10,000,000	2.94
12	Tan Yee Boon	9,099,000	2.67
13	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Rajinder Kaur A/P Piara Singh (Margin)	8,261,300	2.43
14	Yong Mai Fang	7,100,000	2.08
15	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Vincent Tan Seng Chye	3,420,000	1.00
16	Chiong Miaw Thuan	2,850,000	0.84
17	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Leong Kim Fong	2,567,400	0.75
18	Wong Ngai Peow	2,500,000	0.73
19	RHB Capital Nominees (Asing) Sdn. Bhd. Pledged Securities Account For Lim Hun Swee (CEB)	2,200,000	0.65
20	Ong King Seng	2,147,000	0.63
21	RHB Nominees (Tempatan) Sdn. Bhd. Ooi Hock Lai	2,050,000	0.60
22	Toh Chee Seng	2,000,000	0.59
23	Tan Kwang Kui	1,903,800	0.56
24	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Beng De @ Gho Beng De (CCTS)	1,700,000	0.50
25	Boon Chang Sheng	1,612,000	0.47
26	Teo Peng Boon	1,521,900	0.45
27	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chu Chin (471507)	1,416,000	0.42
28	Tan Kok Sing	1,106,700	0.33
29	Tan Kok Sing	1,100,000	0.32
30	Thong Choi Wan	1,067,000	0.31

ANALYSIS OF WARRANTS HOLDINGS AS AT 2 JUNE 2020

Issued Size	: 135,690,400 free detachable warrants issued pursuant to the Renounceable Rights Issue with Warrants exercise
Number of Warrants Holders	: 773

DISTRIBUTION OF WARRANTS HOLDINGS AS AT 2 JUNE 2020

Size of Holding	No. of Warrants Holders	% of Warrants Holders	No. of Warrants Holdings	% of Warrants Holdings
1 – 99	3	0.39	100	0.00
100 - 1,000	19	2.46	11,300	0.01
1,001 - 10,000	115	14.88	837,500	0.62
10,001 - 100,000	423	54.72	19,990,400	14.73
100,001 - 6,784,519*	212	27.42	107,729,500	79.39
6,784,520 AND ABOVE **	1	0.13	7,121,600	5.25
Total	**773**	**100.00**	**135,690,400**	**100.00**

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

DIRECTORS' INTERESTS IN WARRANTS AS AT 2 JUNE 2020

No.	Name of Directors	No. of Warrants held Direct	%	No. of Warrants held Indirect	%
1	Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	-	-	-	-
2	Toh Hong Chye	4,250,000	3.13	-	-
3	Wong Ngai Peow	1,500	0.00	-	-
4	Datuk Low Kim Leng	-	-	-	-
5	Yong Mai Fang	-	-	-	-
6	Tiew Chee Ming	-	-	-	-

LIST OF TOP 30 LARGEST WARRANTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 2 JUNE 2020)

No.	Name of Warrants Holders	No. of Warrants	%
1	Dato' Sri Lee See Yang	7,121,600	5.25
2	Ooi Han Ewe	5,442,000	4.01
3	Choo Kian Woon	5,180,000	3.82
4	RHB Capital Nominees (Tempatan) Sdn. Bhd. Lim Siew Boey	4,413,700	3.25
5	RHB Nominees (Tempatan) Sdn. Bhd. Toh Hong Chye	4,250,000	3.13
6	RHB Capital Nominees (Tempatan) Sdn. Bhd. Tan Chin Hoong	3,000,000	2.21
7	Ng Thian Huat	2,896,400	2.14
8	Tan Yee Boon	2,313,400	1.71

ANALYSIS OF WARRANTS HOLDINGS AS AT 2 JUNE 2020 (CONT'D)

LIST OF TOP 30 LARGEST WARRANTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 2 JUNE 2020) (Cont'd)

No.	Name of Warrants Holders	No. of Warrants	%
9	Tey Swee Guat	1,977,100	1.46
10	HLIB Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Goh Beng De @ Gho Beng De (CCTS)	1,896,100	1.40
11	Yap Yoon Sing	1,724,800	1.27
12	Maybank Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Vincent Tan Seng Chye	1,710,000	1.26
13	RHB Capital Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Cheah Song Kang @ Chiah Jee Ba (CEB)	1,620,000	1.19
14	Foo Seck Yan	1,484,000	1.09
15	Lau Wai Soon	1,421,500	1.05
16	Tan Kok Sing	1,300,000	0.96
17	Lim Chee Seong	1,285,000	0.95
18	Tan Kok Sing	1,200,000	0.88
19	Wong Khee Bin	1,130,000	0.83
20	Lee Boon Kiat @ Lee Ban Kiat	1,113,600	0.82
21	TA Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Wong Tak Keong	1,100,000	0.81
22	Ang Cho Kok	1,080,700	0.80
23	Tie Pek Ha @ Tie Pik Ha	1,067,000	0.79
24	Leow Kah Ling	1,036,500	0.76
25	Kenanga Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Chong Foong Melw	964,100	0.71
26	Kenanga Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Pang Shiew Wai	900,000	0.66
27	TA Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Lee Wai Sin	900,000	0.66
28	Public Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Chan Kam Choon (E-JBU)	850,000	0.63
29	Ng Oi Lean	800,000	0.59
30	Lee Chean Seong	780,000	0.58

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixteenth (16th) Annual General Meeting ("AGM") of AppAsia Berhad ("AppAsia" or "the Company") will be held at Centerpoint Seremban Convention Hall, Lot 2-01, 2-02 and 2-03, 2nd Floor Centerpoint Seremban, Lot 9149, Jalan Dato Siamang Gagap, 70100 Seremban, Negeri Sembilan, Malaysia on Monday, 27 July 2020 at 3.00 p.m. or at any adjournment thereof for the following purposes:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 1 of the Explanatory Notes on Ordinary Business)**

2. To approve the payment of Directors' fees and other benefits payable up to RM350,000.00 to the Directors of the Company from the conclusion of the 16th AGM until the conclusion of the next AGM of the Company in year 2021. **Ordinary Resolution 1**

3. To re-elect the following Directors who retire by rotation in accordance with Clause 105(1) of the Company's Constitution and being eligible, have offered themselves for re-election: -

   i) Datuk Wira Rahadian Mahmud Bin Mohammad Khalil **Ordinary Resolution 2**
   ii) Wong Ngai Peow **Ordinary Resolution 3**

4. To re-appoint Messrs. UHY as Auditors of the Company until the conclusion of the next AGM and to authorise Directors to fix their remuneration. **Ordinary Resolution 4**

As Special Business:

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

5. **PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY ("PROPOSED AMENDMENTS")** **Special Resolution 1**

   "THAT the proposed amendments to the Constitution of the Company as set out in the Appendix A, which is circulated together with the Notice of 16th AGM dated 26 June 2020, be approved and adopted AND THAT the Directors and/or Secretary of the Company be authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the said Proposed Amendment for and on behalf of the Company."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

6. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **Ordinary Resolution 5**

"THAT subject to the Companies Act 2016 ("the Act"), the Constitution of the Company, the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Additional Temporary Relief Measure to Listed Corporations for COVID-19, issued by Bursa Securities on 16 April 2020 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time ("20% General Mandate"); AND THAT the Directors be and are also empowered to obtain approval for the listing and quotation for the additional shares so issued pursuant to the 20% General Mandate on Bursa Securities AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company or at any adjournment thereof."

7. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")** **Ordinary Resolution 6**

"THAT subject to the provisions of the AMLR of Bursa Securities, approval be and is hereby given for the Proposed Renewal of Shareholders' Mandate of the Company and/or its subsidiaries to enter into and to give effect to the category of the recurrent related party transactions of a revenue or trading nature from time to time with the Related Party as specified in Part A of the Statement/Circular to Shareholders dated 26 June 2020 provided that such transactions are:-

(a) undertaken in the ordinary course of business at arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public;
(b) necessary for the day-to-day operations; and
(c) not to the detriment of the minority shareholders of the Company.

THAT such approval shall continue to be in force until:-

(a) the conclusion of the next AGM of the Company following this AGM at which such Shareholders' Mandate is passed, at which it will lapse, unless by an ordinary resolution passed at such AGM, the authority is renewed; or
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in a general meeting.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

whichever is earlier;

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate."

8 **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")** **Ordinary Resolution 7**

"THAT subject always to the compliance with Section 127 of the Act, the provisions of the Constitution of the Company, the AMLR and all other applicable laws, guidelines, rules and regulations, approval be and is hereby given to the Company, to purchase such amount of ordinary shares each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased and held pursuant to this resolution does not exceed 10% of the existing total number of issued shares in the ordinary share capital of the Company including the shares previously purchased and retained as Treasury Shares (if any) and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, upon such terms and conditions as set out in Part B of the Statement/Circular to Shareholders dated 26 June 2020.

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

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

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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9 PROPOSED DIVERSIFICATION OF THE BUSINESSES OF THE COMPANY AND ITS SUBSIDIARIES ("GROUP") TO INCLUDE MONEYLENDING BUSINESS ("PROPOSED DIVERSIFICATION") **Ordinary Resolution 8**

"THAT approval be and is hereby given to the Board of Directors of the Company ("Board") to diversify the Group's principal activities to include moneylending business;

AND THAT the Board be and is hereby empowered and authorised to take all such steps and do all acts, deeds and things and enter into any arrangements, transactions, agreements and/or undertakings and to execute, sign and deliver on behalf of the Company, all such documents as the Board may deem necessary, expedient and/or appropriate to implement and give full effect to and to complete the Proposed Diversification with full powers to assent to any conditions, modifications, variations and/or amendments as the Board may in its absolute discretion deem fit, necessary, expedient, appropriate and/or as may be imposed or permitted by any relevant authorities in connection with the Proposed Diversification."

10 To transact any other business of which due notices shall have been given in accordance with the Companies Act 2016.

By order of the Board,

TAN TONG LANG (MAICSA 7045482 / PC No. 201908002253)
THIEN LEE MEE (LS0009760 / PC No. 201908002254)
Company Secretaries

Kuala Lumpur
26 June 2020

Notes:

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

2. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint more than one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

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

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

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

6. *The instrument appointing a proxy must be deposited at Boardroom Share Registrars Sdn Bhd, Share Registrar office of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting, i.e. on or before 3.00 p.m., Saturday, 25 July 2020 or at any adjournment thereof.*

7. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 20 July 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, vote and speak on his/her behalf.*

8. *Pursuant to Rule 8.31A of the AMLR of Bursa Securities, all resolutions set out in this Notice of 16th AGM will be put to vote by way of poll.*

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

COVID-19 Outbreak Measure Notes

The health and safety of our members and staff who will attend the 16th AGM are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the 16th AGM:-

a. *Members or proxies are encouraged to abide by the most current regulations in place and enforced by the Ministry of Health and Government of Malaysia at the time deciding on whether or not to attend the 16th AGM in person.*
b. *Securities Commission Malaysia had on 18 April 2020 (revised on 18 June 2020) issued a Guidance and FAQs on the Conduct of General Meetings for Listed Issuers ("SC Guidance"). The Malaysian National Security Council had on 16 June 2020 issued a Standard Operating Procedures ("SOP") for government and private events, including meetings.*
c. *Pursuant to the SOP, only member/proxy aged between 18 to 60 years old are allowed to enter the venue and Patient under Investigation (PUI) and Person under Surveillance (PUS) are not allowed to enter the venue.*
d. *Members are encouraged to appoint the Chairman of the Meeting (or any other person) to act as proxy to attend and vote at the 16th AGM on their behalf by submitting the proxy form with predetermined voting instruction.*
e. *Members or proxies who are feeling unwell or have been placed on quarantine orders or stay-at-home notices, you are advised to refrain from attending the 16th AGM in person.*
f. *Members or proxies who had been in physical contact with a person infected with COVID-19 are advised to refrain from attending the 16th AGM in person.*
g. *In the interest of the public health including the well-being of our members, members must cooperate with the precautionary measures put in place by the Company should members (or your proxies) wish to attend the 16th AGM in person.*
h. *Members/proxies must sanitise their hands and are strongly advised to wear a face mask if they are attending the Meeting in person.*
i. *Members or proxies are advised to observe/maintain social distancing throughout the Meeting.*
j. *NO door gift will be provided to the Members or proxies.*

EXPLANATORY NOTES TO ORDINARY AND SPECIAL BUSINESS:-

1. **Audited Financial Statements – Agenda item No. 1**

   The Audited Financial Statements are meant for discussion only under Agenda 1, as it does not require shareholders' approval under the provision of Section 340(1)(a) of the Companies Act 2016. Hence, this Agenda item is not put forward for voting by the shareholders of the Company.

2. **Special Resolution 1 – Proposed Amendments to the Constitution of the Company**

   The Proposed Amendments to the Constitution of the Company is primarily to provide further clarify on certain terms of the Constitution and provide more flexibility for the Company and to ensure the compliance with the Act, AMLR of Bursa Securities. The Proposed Amendments to be made to the Constitution are listed as per Appendix A, which is circulated together with the Notice of 16th AGM dated 26 June 2020.

3. **Ordinary Resolution 5 -Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

   The proposed Ordinary Resolution 5 is a renewal of the general mandate and empowered the Directors of the Company pursuant to Sections 75 and 76 of the Act to issue and allot new shares in the Company ("General Mandate").

   The Company had obtained the mandate from the shareholders at the last AGM held on 1 June 2019 ("Previous Mandate"). As at the date of this Notice, no new shares in the Company were issued pursuant to the Previous Mandate and no proceeds were raised.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Bursa Malaysia Securities Berhad had on 16 April 2020 announced that listed issuers are allowed to seek a higher limit of General Mandate of not more than 20% of the total number of issued shares for issue of new securities ("20% General Mandate"). The 20% General Mandate may be utilised by listed issuer to issue new securities until 31 December 2021 and thereafter, the 10% general mandate will be reinstated ("Extended Utilisation Period").

Having considered the current economic climate arising from the global COVID-19 pandemic and future financial needs of the Group, the Board would like to procure approval for the 20% General Mandate, inclusive of the Extended Utilisation Period, pursuant to Section 76(4) of the Act, from its shareholders at the 16th AGM of the Company.

The 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the end of the Extended Utilisation Period, i.e. by 31 December 2021.

The Board of Directors of the Company, after due consideration, is of the opinion that in the face of unprecedented challenges to the Company brought by the Company further flexibility to raise funds expeditiously other than incurring additional interest costs as compared to bank borrowings, thereby allowing the Company to preserve its cash flow and achieve a more optimal capital structure. Any funds raised from this 20% General Mandate is expected be used as working capital to finance day-to-day operational expenses, on-going projects or future projects/investments to ensure the long-term sustainability of the Company.

The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 20% General Mandate is in the best interest of the Company and its shareholders.

At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the 20% General Mandate is sought, the Company will make a necessary announcement in respect thereof.

4. **Ordinary Resolution 6- Proposed Renewal of Shareholders' Mandate**

This proposed Ordinary Resolution 6, if passed, is intended to enable the Company and/or its subsidiaries ("the Group") to enter into recurrent related party transactions or a revenue or trading nature which are necessary for the Group's day-to-day operations to facilitate transactions in the normal course of business of the Group with the specified classes of related parties, provided that they are carried out on an arms' length basis and on normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Please refer to the Circular/Statement to Shareholders dated 26 June 2020 for further information.

5. **Ordinary Resolution 7- Proposed Renewal Of Share Buy-Back Authority**

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

Please refer to the Circular/Statement to Shareholders dated 26 June 2020 for further information.

6. **Ordinary Resolution 8- Proposed Diversification**

The proposed Ordinary Resolution 8 is to seek shareholders' approval pursuant to Rule 10.13(1) of the AMLR of Bursa Securities to allow the Group to diversify its principal activities to include moneylending business.

Please refer to the Circular to Shareholders dated 26 June 2020 for full details of the Proposed Diversification.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Rule 8.29(2) of AMLR of Bursa Securities)

Pursuant to Clause 105(1) of the Company's Constitution, the following Directors are standing for re-election at the Sixteenth Annual General Meeting of the Company:-

(i) Datuk Wira Rahadian Mahmud Bin Mohammad Khalil
(ii) Wong Ngai Peow

Details of the abovenamed Directors are set out on pages 4 to 5 of this Annual Report while their shareholdings in the Company are set out on pages 119 to 120 of this Annual Report.

No individual seeking for election as a Director other than the Directors seeking for re-election and retention as a Director at the 16th AGM.

The Company will seek shareholders' approval on the general meeting for issue of securities. Please refer to the Proposed Ordinary Resolution 5 as stated in the Notice of the 16th AGM of the Company for details.

APPENDIX A

Proposed Amendments to the Constitution of the Company

The existing Constitution is to be amended by way of alterations, modifications, deletions and/or additions, where necessary, to reflect the proposed amendments thereto. The affected provisions of the existing Clauses are reproduced below with the proposed amendments highlighted alongside the respective Clauses:

Clause No.	Existing Clauses	Clause No.	Proposed Clauses
3(1)	None	3(1)	"Documents" means any document required to be sent under the Listing Requirements to every member.
21	Subject to the Listing Requirement, the Central Depositories Act and or the Rules, and notwithstanding the existence of a resolution pursuant to Section 75 of the Act, the Company must ensure that it shall not issue any shares or convertible Securities if those shares or convertible Securities, when aggregated with any such shares or convertible Securities issued during the preceding twelve (12) months, exceeds ten per cent (10%) of the value of the issued and paid-up capital of the Company, except where the shares or convertible Securities are issued with the prior approval of the shareholders in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible Securities that may be issued by the Company, if the Security is a convertible Security, each such Security is counted as the maximum number of shares into which it can be converted or exercised.	21	Subject to the Listing Requirements and without limiting the generality of the Act, the Company must not issue any ordinary shares or other securities with rights of conversion to ordinary shares except where the shares or securities are issued with the prior shareholders' approval in a general meeting of the precise terms and conditions of the issue.

APPENDIX A (CONT'D)

Clause No.	Existing Clauses	Clause No.	Proposed Clauses
62	The Company may alter its share capital by passing a special resolution to: (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share, shall be the same as it was in the case of the share from which the subdivided share is derived; (b) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares; (c) subdivide its shares or any of the shares, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or (d) cancel any shares, which at the date of the passing of the resolution, which have been forfeited, and diminish the amount of its shares capital by the amount of the shares so cancelled.	62	The Company may alter its share capital by passing an ordinary resolution to: (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share, shall be the same as it was in the case of the share from which the subdivided share is derived; (b) subdivide its shares or any of the shares, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or (c) cancel any shares, which at the date of the passing of the resolution, which have been forfeited, and diminish the amount of its shares capital by the amount of the shares so cancelled.
100	The instrument appointing a proxy and the power of attorney, or other authority (if any) under which it is signed, or a certified copy of such power or authority by a notary public shall be deposited at the Office or at such other place within Malaysia, as is specific for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument, proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid, PROVIDED ALWAYS that the Company may by written notice waive the prior lodgement of the above instrument appointing a proxy and the power of attorney or other authority.	100	The instrument appointing a proxy and the power of attorney, or other authority (if any) under which it is signed, or a certified copy of such power or authority by a notary public shall be deposited at the Office or at such other place within Malaysia **or by way of electronic means or in such other manner**, as is specific for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument, proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid, PROVIDED ALWAYS that the Company may by written notice waive the prior lodgement of the above instrument appointing a proxy and the power of attorney or other authority.

APPENDIX A (CONT'D)

Clause No.	Existing Clauses	Clause No.	Proposed Clauses
190	A notice or other document if served by the Company or the Secretary on any Director in hardcopy, in electronic form or partly in hard copy and partly in electronic form. Notices given in hard copy shall be sent to the Director personally or by post to the address supplied by the Director for such purpose, or if given in electronic form, transmitting to the electronic address provided by the Director for such purpose.	190	(1) A notice or other Documents may also be served by the Company or the Secretary on any Director or members in hard copy, in electronic form or partly in hard copy and partly in electronic form. Notices given in hard copy shall be sent to the Director personally or by post to the address supplied by the Director for such purpose, or if given in electronic form, transmitting to the electronic address provided by the Director for such purpose. (2) A notice or other Documents: (i) served in hard copy shall be served either personally or by sending it through the post in a prepaid letter or wrapper addressed to such Member at his registered address entered in the Register of Members or Record of Depositors; (ii) publishing on a website of the Company provided that a notification of the publication of the notice or document on the website via hard copy or electronic mail or short messaging service has been given in accordance with the provision of the Act and the Listing Requirements; or (iii) using any other electronic communication platform maintained by the Company or third parties that can host the information in a secure manner for access by the Members provided that a notification of the publication or making available of the notice or document on such electronic communication platform via hard copy or electronic mail or short messaging service has been given to the Members accordingly. (3) The contact details of the Members as provided to the Depository shall be deemed as the last known registered address, mail address and contact number provided by the Members to the Company for purposes of communication with the Members. (4) Any notice or other Documents shall be deemed to be served by the Company to a Member:

APPENDIX A (CONT'D)

Clause No.	Existing Clauses	Clause No.	Proposed Clauses
			(i) where the notice or other Documents is sent in hard copy if by post, on the day the prepaid letter, envelope or wrapper containing such notice or documents is posted. In providing service by post, a letter from the Secretary certifying that the letter, envelope or wrapper containing the notice or document was so addressed and posted to the Member shall be sufficient to prove that the letter, envelope or wrapper was so addressed and posted; or (ii) where the notice or other Documents is sent by electronic means: - via electronic mail, at the time of transmission to a Member's electronic mail address, provided that the Company has record of the electronic mail being sent and that no written notification of delivery failure is received by the Company; - via publication on the Company's website, on the date the notice or document is first made available on the Company's website, provided that the notification on the publication of notice or document on website has been given pursuant to this Clause; or - via electronic communication platform maintained by the Company or third parties, on the date the notice or document is first made available thereon provided the notification on the publication or making available of the notice or document on the relevant electronic platform has been given pursuant to this Clause. In the event that service of a notice or other Documents pursuant to this Clause is unsuccessful, the Company must, within two (2) market days from discovery of delivery failure, make alternative arrangements for service by serving the notice or document in hard copy in accordance with third Clause hereof. (5) Where the Company provides its electronic address in a notice calling a meeting, any document or information relating to proceedings at the meeting including the appointment and termination of a proxy may be sent by the Members through electronic means to that address, subject to any conditions or limitations specified in the notice.

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APPASIA BERHAD
(Registration No: 200401005180 (643683-U))
(Incorporated in Malaysia)

PROXY FORM

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

I/We, ____
(FULL NAME AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

*NRIC No./Passport No./Registration No. ______________________ of ______________________
(FULL ADDRESS)

____

being a *Member/Members of **APPASIA BERHAD (Registration No. 200401005180 (643683-U))** hereby appoint ______________________ (*NRIC No./Passport No. ______________________)
(FULL NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

of ____
(FULL ADDRESS)

And* failing him/her * ______________________ (*NRIC No./Passport No. ______________________)
(FULL NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

of ____
(FULL ADDRESS)

and* failing him/her *, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Sixteenth Annual General Meeting ("16th AGM") to be held at Centerpoint Seremban Convention Hall, Lot 2-01, 2-02 and 2-03, 2nd Floor Centerpoint Seremban, Lot 9149, Jalan Dato Siamang Gagap, 70100 Seremban, Negeri Sembilan, Malaysia on Monday, 27 July 2020 at 3:00 p.m. or at any adjournment thereof to vote as indicated below:-

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

Proxy 1 - ______________% In case of a vote by show of hands, Proxy 1*/Proxy 2* shall vote on our behalf.

Proxy 2 - ______________%
strike out whichever is inapplicable

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

No.	Agenda	Resolution	FOR	AGAINST
1.	To approve the payment of Directors' fees and other benefits payable up to RM350,000.00 to the Directors of the Company from the conclusion of the 16th AGM until the conclusion of the next AGM of the Company in year 2021.	Ordinary Resolution 1		
2.	To re-elect Datuk Wira Rahadian Bin Mohammad Khalil as Director	Ordinary Resolution 2		
3.	To re-elect Wong Ngai Peow as Director	Ordinary Resolution 3		
4.	To re-appoint Messrs. UHY as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration	Ordinary Resolution 4		
As Special Business :				
5.	Proposed Amendments to the Constitution of the Company	Special Resolution 1		
6.	Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016	Ordinary Resolution 5		
7.	Proposed Renewal of Shareholders' Mandate	Ordinary Resolution 6		
8.	Proposed Renewal of Share Buy-Back Authority	Ordinary Resolution 7		
9.	Proposed diversification of the businesses of the Company and its subsidiaries to include moneylending business	Ordinary Resolution 8		

Signed on this ____________ day of ______________ 2020.

____
Signature of Shareholder or Common Seal

Notes:

1. *A member entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead and that where a member appoints two (2) or more proxies, he shall specify the proportion of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company.*
2. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint more than one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
3. *Where a member of the Company is an exempt authorised nominees which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *Where the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's Seal or under the hand of an officer or an attorney duly authorised.*
6. *The instrument appointing a proxy must be deposited at Boardroom Share Registrars Sdn Bhd, Share Registrar office of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting, i.e. on or before 3.00 p.m., Saturday, 25 July 2020 or at any adjournment thereof.*
7. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 20 July 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, vote and speak on his/her behalf.*
8. *Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of 16th AGM will be put to vote by way of poll.*

Please fold here

Affix Stamp

Boardroom Share Registrars Sdn. Bhd.,

Share Registrar of

APPASIA BERHAD (Company No. 200401005180 (643683-U))
11th Floor, Menara Symphony,
No. 5 Jalan Prof Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya,
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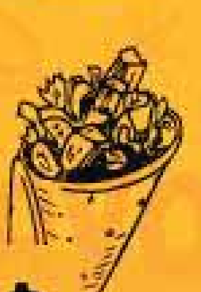

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