ANNUAL REPORT 2017

Artist's Impression

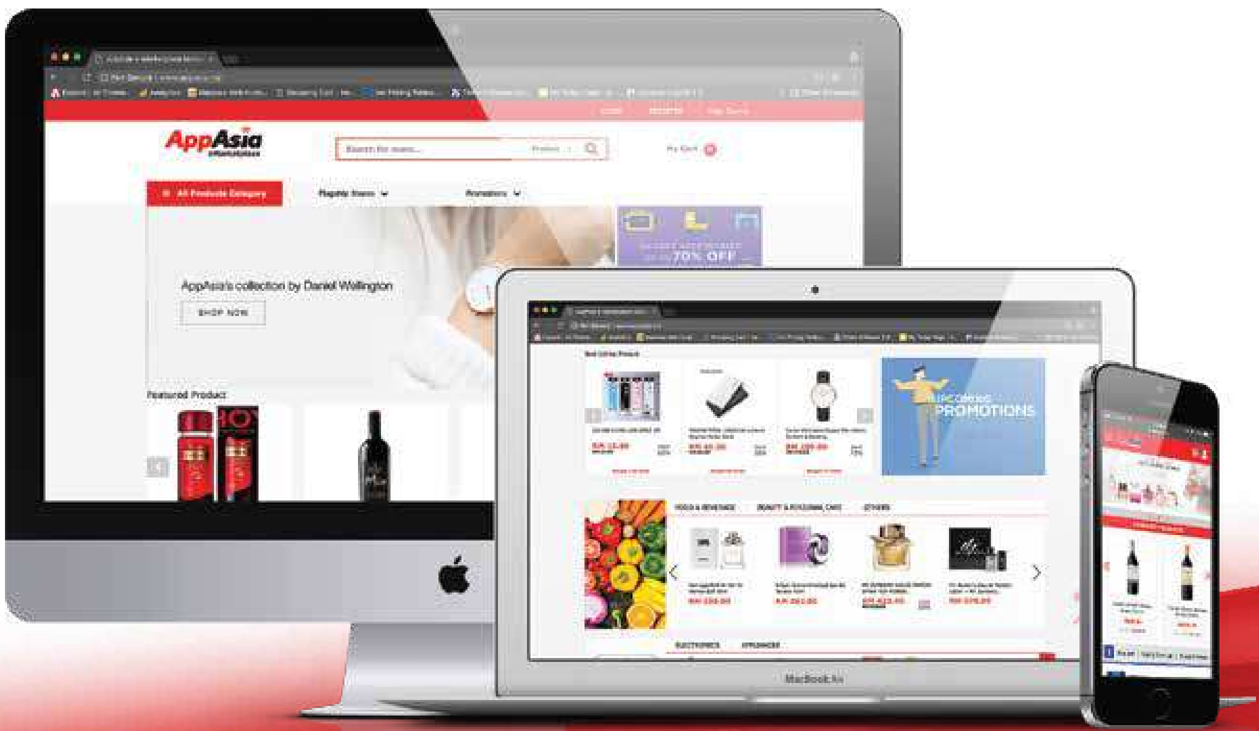
AppAsia® eMarketplace

Express Delivery

Secure Online Payment

7 Days Return Policy

Customer Rebates



www.AppAsia.my

AppAsia

ALL-IN-ONE

ONLINE & E-MEDIA SOLUTION

WEB PORTAL - MOBILE APPS - SOCIAL MEDIA
ADS ENGINE - VIDEO STEAMING - CLOUD CDN

www.AppAsia.com info@appasia.com +603-2161 3211

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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

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

Low Kim Leng

REMUNERATION COMMITTEE

Low Kim Leng (Chairman)

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil

Tiew Chee Ming

NOMINATION COMMITTEE

Low Kim Leng (Chairman)

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil

Tiew Chee Ming

SHARE ISSUANCE SCHEME ("S I S") OPTION COMMITTEE

Toh Hong Chye (Chairman)

Wong Ngai Peow

Yong Mai Fang

CORPORATE INFORMATION

COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482)

Chong Voon Wah (MAICSA 7055003)

REGISTERED OFFICE

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

HEAD OFFICE

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

AUDITORS

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

PRINCIPAL BANKER

CIMB Bank Berhad

SHARE REGISTRAR

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

SOLICITORS

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

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

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

WEBSITE

www.AppAsia.com

CORPORATE INFORMATION

AppAsia®

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

In the progress of striking off under Section 550 of the Companies Act, 2016

EVENTS HIGHLIGHTS

AppAsia

GREAT PEOPLE | GREAT APPS

TOGETHER WE CREATE . TOGETHER WE SHARE

In conjunction with the launch of AppAsia E-Marketplace, AppAsia had organized the contest of Roda Fantasi: Juara Jutawan, Malaysian Best Bahasa Word Game as part of its CSR programme to reward the loyal supporters of AppAsia. The contest held over a period of 2 months from 4 February to 31 March 2017. It was opened to all Malaysia residents aged 18 and above and the participants competed amongst themselves to be at the top of the leaderboard with the highest scores.

Roda Fantasi: Juara Juatawan is currently one of the best Malaysian made Bahasa Word Puzzle game. The game has earned a good rating of 4.1 points in Google Play Store and garnered around 140,000 downloads. The game is educational and family friendly whereby players could enjoy solving the word puzzle to enhance their skills in learning interesting words and phrases in Bahasa Melayu. It is a meaningful and fun game as the contestants can play together with their family members and/or friends to foster a stronger family bond and relationship.

Roda Fantasi: Juara Jutawan is also one of the most popular mobile games developed by AppAsia. It is free and the first of its kind word game specific in the Malay Language that challenges the players to score the highest IQ Mark. The contestants who owned the highest scores stood a chance to win Xiaomi products.

On 6 May 2017, the winners of the contest were invited to the award giving ceremony as well as the reunion session of the interns who graduated from the AppAsia Internship Programme. In the ceremony, for the first time that the developers and winners got to meet each other and share their insights of the game. This happy friendly moment had been a remarkable day for AppAsia, the former interns as well as the participants of Roda Fantasi.

DIRECTORS' PROFILES

DATUK WIRA RAHADIAN MAHMUD BIN MOHAMMAD KHALIL
Independent Non-Executive Chairman
Malaysian, Male, Aged 44
Member of Audit Committee, Nomination Committee and Remuneration Committee

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil, was appointed to the Board of AppAsia 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 Sanbumi Holdings Berhad and 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 42
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 begans his own career and set up H.C. Toh & Co, a non-audit firm, involving in 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 (formerly known as Naim Indah Corporation Berhad), all of which are companies listed on Bursa Malaysia Securities Berhad and he also sits in the board of several other private limited companies.

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 105 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.

DIRECTORS' PROFILES

WONG NGAI PEOW
Executive Director
Malaysian, Male, Aged 42
Member of Share Issuance Scheme ("SIS") Option Committee

Wong Ngai Peow, was appointed to the Board on 28 May 2014 as Executive Director. He graduated from University of Malaya with a Bachelor's Degree in Information Technology and Business Management.

He has more than 18 years of in-depth professional experience in Information Technology ("IT") industry. He started as a system analyst and turned technopreneur by founding a few successful IT ventures since 2002. He led his companies and teams to grow from the startup to successful ventures in IT sector. His broad and in-depth business knowledge provided him with sound understanding and experiences of both managing large companies and startup ventures especially in the IT sector.

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

He has no family relationship with any 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.

YONG MAI FANG
Executive Director
Malaysian, Female, Aged 41
Member of Share Issuance Scheme ("SIS") Option Committee

Yong Mai Fang was appointed as Group Accountant of AppAsia Berhad on 1 August 2014 and was subsequently appointed as Executive Director of the Company on 1 March 2018. 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' experience in accountancy and business advisory services. She was the Audit Branch Manager of B. L. Tan & Co for 10 years. She is primarily oversees and manages audit, taxation and other assurance services required by the clients. Her experience covered 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 105 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.

DIRECTORS' PROFILES

LOW KIM LENG
Independent Non-Executive Director
Malaysian, Male, Aged 55
Chairman of Nomination Committee and Remuneration Committee
Member of Audit Committee

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 in 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 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.

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 105 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.

TIEW CHEE MING
Independent Non-Executive Director
Malaysian, Male, Age 29
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 which in charge of the Group financial reporting and functions. He was subsequently promoted to Chief Financial Officer of Sersol Berhad in year 2018. He has vast experienced in good 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

MANDY TOH GUAT KHEM
CHIEF EXECUTIVE DIRECTOR OF SUBSIDIARY COMPANY

Mandy Toh, Australian, female, aged 54, was appointed as Chief Executive Director of AppAsia International Pty Ltd and oversees the business operations of the Company in Australia. She graduated with a Bachelor of Economics from Shinshu University, Japan. She has over 10 years of career experience in real estate and finance broking in Australia.

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

Mandy Toh is the sister of Toh Hong Chye, Executive Director of AppAsia Berhad. 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 companies and listed issuers.

LAWRENCE NA CHOONG GUAN
CHIEF TECHNOLOGY OFFICER

Lawrence Na, Malaysian, male, age 38, was appointed as Chief Technology Officer on 21 February 2017. He is responsible for the information technology systems for the Group. He graduated with a Bachelor of Information Technology of Charles Sturt University. He was previously the recipient of the prestigious Erisson Kacip @ Cut-Edge Awards 2003.

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

He 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 companies and listed issuers.

PROFILES OF KEY SENIOR MANAGEMENT

CHLOE LOW YEN HOON
ACCOUNTS MANAGER

Chloe Low, Malaysian, female, age 32 was appointed as Accounts Assistant Manager on 3 May 2016. Subsequently, she promoted as Accounts Manager on 1 August 2017. She graduated from SEGI Colleague Kuala Lumpur with a LCCI Diploma in Accounting. She then has been awarded the ACCA Advance Diploma in Accounting and Business and currently she further her study at professional level of ACCA qualification.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the Group Business and Operations

AppAsia Berhad is a public company listed on the ACE Market of Bursa Malaysia Securities Berhad since 2006. Our fortes are in the e-commerce, digital contents, cloud and information technology (IT) security sectors. AppAsia Group of Companies ("AppAsia" or "the Group") consists of ten (10) subsidiaries and an associate company, in which nine (9) companies are wholly-owned while AppAsia International Pty Ltd, a company incorporated in Australia, is held through AppAsia International Sdn Bhd, a wholly-owned subsidiary of AppAsia. For further details on the Group Structure of AppAsia, please refer to the page 4 in this Annual Report.

In the year under review, AppAsia has managed to strive through and produced an encouraging result by achieving a record revenue and also reducing the loss significantly. AppAsia strengthened its competitive position and continued its growth momentum amidst challenges for both the Malaysian and global economies which were impacted by slower growth in major economies.

The overall financial improvement of AppAsia in the financial year ended 31 December 2017 ("FY2017") has indicated that the strategic transformation plans undertaken by the management over the past few years have started to yield results. This shows that the Company is on the right path to be profitable in the near future.

From the financial result in FY2017, the growth in revenue was contributed mainly from the e-commerce business especially in the business-to-business ("B2B") sector with the launch of our AppAsia B2B and business-to-consumer ("B2C") e-Marketplace in 2017.

The digital content business also showed a remarkable growth in revenue and profits, whereas the IT security and cloud business have remained stable in revenue and profit contribution.

In line with the Group's long term direction to be integrated in the new information technology era, the management has been implementing various strategies, business plans and ventures to transform the Group to be an overall IT solution provider to the booming internet and mobile industry.

Financial Performance

For FY2017, AppAsia registered a revenue of RM142.84 million, which is a thirty-fold increase as compared to the revenue of RM4.66 million of the financial year ended 31 December 2016 ("FY2016"). The growth was contributed mainly by the Group's e-commerce business with the launch of AppAsia B2C and B2B e-Marketplace. The other key contributor to revenue growth is from the digital content which recorded a revenue increase of 32% as compared to FY2016, whereas the revenue from IT security business has decreased by 40% from FY2016 as a result of the expiry of existing contract.

At the same time, the Group has significantly reduced the loss before taxation from RM6.85 million in FY2016 to a marginal RM0.22 million in FY2017. The main reasons for the improvement were due principally to the increase in revenue as mentioned earlier and the reduction of overall administrative and operation costs arising from the business rationalization in the last two years. In addition, the Group has capitalized its relevant IT development costs and IT staff costs in relation to the digital contents application and e-commence application for better matching with future revenue streams.

Business Challenges and Strategies

We aspire to build a sustainable business in the markets where we operate. Propelled by our aspirations in information technology sector, we focus in doing business in ways that nurtures economic growth – from accomplishments to purpose. Our innovative take on providing various industries with smart, seamless services, coupled with a diverse catalogue of expertise, allow us to shape a future that is sustainable and ideal for our stakeholders and the communities we work within.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Business Challenges and Strategies (Cont'd)

Business Risks

In recognizing AppAsia's position in the highly dynamic and fast paced technology sector, AppAsia is at risk of technology obsolescence, market saturation and digital threats including virus and malware attacks, ransomware and unauthorized access to data for mischievous or illegal purposes.

The following initiatives have been taken to reduce the risks to ensure the Group's business sustainability in the long term:

- Enhanced product features and solutions in line with latest technology development.
- Improve services levels to increase customer loyalty and community satisfaction.
- Provide full-fledge e-commerce solutions for different industries with the launch of AppAsia B2B2C eMarketplace.
- Establish strategic partnerships with global players in the IT industry to capitalize on the global digital market opportunity.
- Explore various ventures in potential digital markets that can provide long term and sustainable business to the Group.
- In house IT security team support for preventing digital threats, and consistently monitoring, updating and improving its talents and systems.

Credit and Liquidity Risks

The Group has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposits with banks and financial institution with good credit rating. A credit evaluation process is put in place to assess and analyse the customers' ability and creditworthiness. The Group has also been constantly monitoring the processes and action will be taken, if any, to mitigate the risks of long outstanding debts.

Business Review and Moving Forward

In the e-commerce business expansion, AppAsia have launched our own AppAsia B2C and B2B e-Marketplace in 2017. We also launched an e-marketplace specially tailored for the East Malaysia market with a local business partner. The B2B e-commerce business is expected to contribute positively to AppAsia in the near future.

In the digital content business, our e-media business continues to grow in revenue in 2017. We built e-media digital platforms (e.g. web portal, mobile applications and social media integration) with various partners in the publishing industry to collect revenue from the platform subscription and digital advertisements. This business is expected to grow steadily in line with the growing trend in the digital media and advertisement industry.

Our mobile games have experienced a decline in revenue due to fewer launches of new products.

AppAsia will continue to explore other digital content business opportunities in different sectors and countries.

AppAsia have introduced the all-in-one managed cloud services with the IT Security solutions under the "Extol" brand name through a partnership with Alibaba Cloud. The combination of IT security and cloud services may provide more opportunities for AppAsia to expand in various sectors.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Business Review and Moving Forward (Cont'd)

The management shall continue to maintain the positive momentum of AppAsia in 2018 with various strategic plans. While improving our existing business, the Group shall continue to explore and venture into other related growing sectors like mobile payment, industry wide online platforms, various types of digital content platforms and the like.

In December 2017, the Company has issued a private placement to raise an additional fund of RM10.39 million, which shall further strengthen AppAsia's cash position for the purpose of working capital and to fund the potential projects and business expansion opportunities in the near future.

Moving forward, our strategy is to build a digital business that can provide long term value to the AppAsia, its stakeholders and the community. The management would be committed to work diligently to achieve this vision.

Wong Ngai Peow
Executive Director

CORPORATE SUSTAINABILITY STATEMENT

The Board acknowledges the importance of sustainability and strive to fulfil the expectation of its stakeholders by enhancing its social, environmental and economic performance while ensuring the sustainability and operational success of the Company.

Sustainability is an integral part of our business and the Group's corporate responsibility practices focus on four (4) material issues – Environment, Workplace, Market Places and Community which aim to deliver sustainable value to society at large.

Our Environment

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

In order to minimize our environmental footprint, the management is adopting the culture of filing of documents electronically and printing only when necessary to avoid paper wastage. All staff are encouraged to recycle and reuse the office products to reduce wastage at all times. Those efforts can help to promote recycling habits and "Go Green" office environment.

We continue to operate effectively to protect and to preserve our working environment by incorporating Go Green design element and innovation. Our workplaces are designed to use energy saving lights, e.g. LED bulbs, and uses of LED TV screens in conference and meeting rooms which consume less energy and giving longer life span.

Those sustainable features will result in costs saving and energy conservation effectively.

Our Workplace

The Group believes that employees are key resources that drive long term and sustainable organizational successes. As such, the Group continuously creates a safe, pleasant and conducive working environment for our people who promote employee safety, well-being, gender diversity and career growth.

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

Our ethnicity and diverse workforce as at 28 February 2018 are as follows: -

Age Group	Ethnicity					Gender	
	Bumiputra	Chinese	Indian	Others	Total	Male	Female
20-29	27%	15%	3%	3%	48%	24%	24%
30-39	6%	13%	3%	-	22%	10%	12%
40-49	12%	12%	-	-	24%	18%	6%
50-59	3%	3%	-	-	6%	6%	-
Total	48%	43%	6%	3%	100%	58%	42%

To optimize the employee talents and capabilities, various in-house training, external training programs and seminars are continuously provided to all employees to upgrade their skills and talents while promoting a motivated working team and fostering a closer relationship with each other.

CORPORATE SUSTAINABILITY STATEMENT (CONT'D)

Our Market Places

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

Our Community

The AppAsia Talents Club ("ATC") was established in December 2014 to serve as a platform for the Group to provide internship opportunities for talented individuals who are passionate, creative and willing to participate in game development.

In ATC, all interns are given the platform and opportunity to make the mobile world a better place. We embrace creativity, unity, not uniformity and we believe that different kind of thoughts and culture will enhance innovation of ideas. Interns were given chances to collaborate and interact with other game programmers, game artists and designers who are open-minded and excited about game innovation and creation.

Furthermore, ATC also adopt the culture of encouraging diverse thinking and bold ideas within flexible working hours and provide an environment that cultivates creativity and individual differences and rewarding their best work accordingly.

Through ATC, we aim to nature the talent and human capital for the game industry regardless of race, religion, gender, ethnicity or locality. By end of 2017, more than 200 students have benefited and graduated from this programme.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board of Directors ("the Board") of AppAsia Berhad 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 ("the Code") are observed and practised throughout the Company and its subsidiaries (collectively referred to as "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 outlines the following principles and recommendations which the Group has comprehended and applied with the best practices outlined in the Code 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 financial year ended 31 December 2017, 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.

During the year, the Board undertook a review and updated its Board Charter and policies to reflect the revised regulatory expectations. These authoritative documents serve to guide the governance and conduct of the Board and its committees.

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.

Further details on how the Board operates as an effective board which is, collectively responsible for the long-term sustainable success of the Group can be obtained in the Corporate Governance Overview Statement set out on page 18 to page 30 of this Annual Report.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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: -

- Administration
- Accounts
- Corporate Governance
- Purchasing
- Human Resource

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.

Further details pertaining to the activities undertaken by the AC can be obtained in the AC report set out on page 35 to page 37 of this Annual Report

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.

Further details on how this is achieved is explained in the Corporate Governance Overview Statement set out on page 32 to page 33 of this Annual Report.

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 Berhad 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 the Code to articulate the Board's activities during the year: -

- Board Leadership and Effectiveness
  (page18 to page 30)
- Effective Audit and Risk Management
  (page 30 to page 32)
- Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.
  (page 32 to page 33)

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 the Code is set out in the in the Company's Corporate Governance Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

1. Board of Directors

AppAsia Berhad ("the Company") and its subsidiaries ("the Group") acknowledge the pivotal role played by the Board of Directors ("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;

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 Principal Officers, 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 the Malaysian Code of Corporate Governance ("the Code") 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;

CORPORATE
GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

1. Board of Directors (Cont'd)

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.

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 6 to page 8 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

2. Separation of position of the Chairman and Executive Directors (Cont'd)

The Chairman of the Board, Datuk Wira Rahadian Mahmud Bin Mohammad Khalil, an Independent Non-Executive Director, 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 oversees the day-to-day operations to ensure the smooth and effective running of the Group. The Executive Directors implements the policies, strategies, decisions adopted by the Board, monitors the operating financial results against plans and budgets and acts 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

4. Commitment of the Board (Cont'd)

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

The Board met five (5) times during the financial year ended 31 December 2017 ("FY2017"). The attendance of each Director at the Board Meeting held during FY2017 is as follow:-

Directors	Number of meetings attended	%
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	5/5	100%
Toh Hong Chye	5/5	100%
Wong Ngai Peow	5/5	100%
Low Kim Leng (re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 26 February 2018)	4/5	80%
Ng Kok Wah (resigned on 28 February 2018)	4/5	80%
Yong Mai Fang (appointed on 1 March 2018)	Not Applicable	
Tiew Chee Ming (appointed on 1 March 2018)	Not Applicable	

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 Ace Market Listing Requirements (''AMLR'') of Bursa Malaysia Securities Berhad (''Bursa Securities") where they do not sit on the board of more than five (5) listed issuers.

5. Continuous Development of the Board

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 Programme save for the newly appointed Directors. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

5. Continuous Development of the Board (Cont'd)

Details of training programmes attended by the Directors during the FY2017 under review are as follows:

Directors	Date	Programmes attended
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	12 December 2017	2017 Corporate Governance
Toh Hong Chye	19-20 April 2017	A to Z Becoming Company Secretary Under the New Companies Act 2016
	17 July 2017	Rising Up to the Challenges of Sustainability Reporting
Wong Ngai Peow	27 September 2017	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers (2017)
	5 December 2017	The CG Breakfast Series for Directors - Leading Change
Low Kim Leng	5 December 2017	The CG Breakfast Series for Directors - Leading Change
Ng Kok Wah	15-16 May 2017	MIA Public Pratice Programme 2017
	14 November 2017	Invitation to Securities Commission Malaysia's Conversation with Audit Committees

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

<u>AC</u>

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 Report is set out on page 35 to page 37 of this Annual Report.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

6. Board Committees (Cont'd)

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
Low Kim Leng	Chairman
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	Member
Tiew Chee Ming (appointed on 1 March 2018)	Member

The past member of the NC is as follows: -

Ng Kok Wah (resigned on 28 February 2018)	Member

During the FY2017, 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 terms of reference;
(b) Determining the Directors whom are subject to re-election by rotation;
(c) Annual assessment of the Board, the Board Committees and the individual Directors;
(d) Reviewed the performance and term of office of AC;
(e) Reviewed the composition of the Board of Directors of the Group;

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.

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
Low Kim Leng	Chairman
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	Member
Tiew Chee Ming (appointed on 1 March 2018)	Member

The past member of the RC is as follows: -

Ng Kok Wah (resigned on 28 February 2018)	Member

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

6. Board Committees (Cont'd)

RC (Cont'd)

During the FY2017, the RC held one (1) meeting and all members 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 Group Acting Managing Director, the Executive Directors and Senior Management.
(b) Reviewed the remuneration package of Non-Executive Directors and their Meeting Allowances.

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

The past member of the SIS Committee is as follows: -

Joanne Shu (resigned on 31 May 2017)	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.

CORPORATE
GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

8. Code of Conduct and Code of Ethics

The Company has established a Code of Conduct and Code of Ethics which is also enshrined in the Board Charter to promote a corporate culture which engenders ethical conduct that permeates throughout the Group. The Code of Conduct is based on principles in relation to trust, integrity, responsibility, excellence, loyalty, commitment, dedication, discipline, diligence and professionalism. Where else the Code of Conduct is based on the principles in relation to integrity, transparency, accountability and corporate social responsibility.

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. Ongoing training is provided to staff on the Code of Conduct, Ethics and general workplace behaviour to ensure they continuously uphold high standard of conduct when performing their duties.

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 principal officers 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 Code of Ethics can be found in the Company's website.

9. Whistle Blowing 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.

The policy outlines the relevant procedures such as when, how and to whom a concern may be properly raised about the genuinely suspected or instances of wrongdoing at the Company and its subsidiaries. The identity of the whistleblower is kept confidential and protection is accorded to the whistleblower against any form of reprisal or retaliation. All such concerns shall be set forth in writing and forwarded in a sealed envelope to either the Chairman of the Board or the members of the AC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

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. Both of the Company Secretaries are Fellow/Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). 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.

II. 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.

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 6 to page 8 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

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 acknowledges 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.

Nonetheless, the Board has appointed Yong Mai Fang as an Executive Director of the Company with effect from1 March 2018 contributing to 16.67% of the Board composition, to contribute to the development of the Group.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

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.

There was no new appointment of Directors for the financial year 2017. Nonetheless, the Board would use independent search firms as one of the options in identifying suitable candidates for appointment of directors in the future.

6. Chairman of the NC

The NC is led by 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 Nominating 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. The assessment is based on four (4) main areas relating to Board Structure, Board Operations, Board and Chairman's roles and responsibilities and Board Committees' role and responsibilities.

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 Nominating 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

7. Annual Evaluation (Cont'd)

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.

III. 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration (Cont'd)

The details of the aggregate remuneration of the Board (on Group 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 FY2017 are set out below:-

Directorship	Fees (RM)	Salaries (RM)	Defined contribution plan (RM)	* Others (RM)	Total (RM)
Company					
Executive	-	420,000	50,400	473,576	943,976
Non-Executive	162,000	-	-	130,140	292,140
	162,000	420,000	50,400	603,716	1,236,116
Group					
Executive	-	720,000	86,400	480,776	1,287,176
Non-Executive	162,000	-	-	130,140	292,140
	162,000	720,000	86,400	610,916	1,579,316

** Others comprised of share-based payment, benefit in kind and other allowances*

Remuneration Bands	Number of Key Senior Management
RM 50,001 – RM100,000	1
RM100,001 – RM150,000	1
RM150,001 – RM200,000	1
RM200,001 – RM250,000	1

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AC

Presently, the AC consists of three (3) Independent Non-Executive Directors and all of them are financial 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 present composition of the AC are as follows: -

Director	Designation
Tiew Chee Ming (appointed on 1 March 2018)	Chairman
Low Kim Leng	Member
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil (re-designated from Chairman of AC to member of AC on 1 March 2018)	Member
The past member of the AC is as follows: -	
Ng Kok Wah (resigned on 28 February 2018)	Member

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

I. AC (Cont'd)

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.

For the FY2017, 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	48,000	20,000
Non-Audit services rendered	10,000	10,000

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 35 to page 37 of this Annual Report.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

II. Risk Management and Internal Control Framework (Cont'd)

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 FY2017 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 3 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 38 to page 39 and the Management Discussion and Analysis on page 11 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 has set up an investor relations program to facilitate effective two-way communication with investors and analyst to provide a greater understanding of the Group's vision, strategies, developments and financial prospects. A variety of engagement initiatives including direct meetings and dialogues with stakeholders are constantly conducted to learn about their needs enabling sustainability and growth of the Group.

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)

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

I. Communication with stakeholders (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) clear 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.

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 judgments 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 2017, 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 minimize fraud and other irregularities.

AUDIT COMMITTEE REPORT

OBJECTIVE

The Audit Committee ("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

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 (appointed on 1 March 2018)	Chairman
Low Kim Leng	Member
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil (re-designated from Chairman of AC to member of AC on 1 March 2018)	Member

The past member of the AC is as follows: -

Ng Kok Wah (resigned on 28 February 2018)	Member

During the financial year ended 31 December 2017 ("FY2017"), the AC held five (5) meetings and the records of the attendance of AC members are as follow:

Directors	Number of meetings attended	%
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	5/5	100%
Low Kim Leng	4/5	80%
* Ng Kok Wah	4/5	80%
* Tiew Chee Ming	Not Applicable	

* 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 FY2017 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 Malaysia;

b) Reviewed with external auditors on their Audit Planning Memorandum for the FY2017;

c) Reviewed the Audited Financial Statements of the Group for the FY2017 before recommending to the Board for approval and release of the results to Bursa Malaysia;

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY ACTIVITIES (CONT'D)

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 FY2017 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;

f) Reviewed and 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 FY2017 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;

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.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTIONS (CONT'D)

During the FY2017, 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 pages 38 to 39 in this Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of AppAsia Berhad ("AppAsia" or "the Company") is pleased to provide the following Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code on Corporate Governance 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 Audit Committee has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the Audit Committee on a periodic basis.

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

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

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;
- identifying, assess and evaluating the key risks of the Group that affect its goals and objectives for the year under review; and
- responses the appropriate mitigating controls and the significant risks that affecting the Group's strategic and business plans, if any, are escalated to the Board at their scheduled meetings.

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

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

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 organizational structure with clear lines of accountability and responsibilities provide a sound framework within the organization in facilitating check and balance for proper decision making at the appropriate authority levels of management including matters that require the Board's approval.

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

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

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

INTERNAL AUDIT FUNCTION

The Group had appointed an independent professional firm, S F Chang Corporate Services Sdn. Bhd. ("SFC") to assist the Board and Audit Committee 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 FY2017 was RM 32,500.

During the FY2017, internal audit visits were carried out and the findings of the internal audit, including the recommended corrective actions, were presented directly to the Audit Committee.

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

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 29 March 2018.

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 below:

Purpose	Intended timeframe for utilisation from completion date	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Re-allocation (RM'000)	Balance utilisation (RM'000)
Working capital of the Group	within 12 months	7,835	(391)	167	7,611
Future business expansion	within 12 months	2,267	-	-	2,267
Other proposal expenses	within 2 weeks	291	(124)	(167)	-
Total		10,393	(515)	-	9,878

SHARE ISSUANCE SCHEME

The Share Issuance Scheme of the Company ("SIS") 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 and will be expiring on 12 March 2020.

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**	**At 1.1.2017 ('000)**	**Exercised ('000)**	**Lapsed ('000)**	**At 31.12.2017 ('000)**
24 March 2015	0.183	44,006	(26,830)	(3,656)	13,520

Please refer to page 103 and page 104 of the Annual Report 2017 for the further details on the Share Issuance Scheme.

MATERIAL CONTRACTS

Save as disclosed in page 119 and page 121 of the Annual Report 2017, there are no other material contracts (including contracts not reduced into writing), entered into in the ordinary course of business which have been entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests during the financial year under review.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

CONTRACT RELATED TO LOANS

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal Activities

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

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

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

Financial Results

	Group RM	Company RM
Net loss for the financial year, attributable to owners of the parent	415,240	2,945,724

Reserves and Provisions

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

Dividend

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

Issue of Shares and Debentures

During the financial year, the number of issued and paid-up ordinary share capital of the Company was increased as follows:-

(i) the issuance of 31,381,000 ordinary shares through Private Placement for working capital purposes;
(ii) the issuance of 3,266,000 ordinary shares through conversions of the Warrants; and
(iii) the issuance of 26,830,000 ordinary shares through the exercises of the Share Issuance Scheme ("SIS") Options.

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

There was no issuance of debentures during the financial year.

Warrant Reserve

The Warrants were constituted under the Deed Poll dated 19 November 2014 as disclosed in the Note 17(b) to the financial statements.

As at 31 December 2017, the total numbers of Warrants that remain unexercised were 135,690,400.

DIRECTORS' REPORT (CONT'D)

Options Granted Over Unissued Shares

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

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

As at 31 December 2017, the options offered to take up unissued ordinary shares of and the exercise prices are as follows:

		Number of options over ordinary shares			
Date of offer	**Exercise price**	**At 1.1.2017**	**Exercised**	**Lapsed**	**At 31.12.2017**
24 March 2015	0.183	44,006,000	(26,830,000)	(3,656,000)	13,520,000

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*
Low Kim Leng
Yong Mai Fang (appointed on 1.3.2018)
Tiew Chee Ming (appointed on 1.3.2018)
Ng Kok Wah (resigned on 28.2.2018)

The Director who held 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:

Toh Guat Khem

* Director of the Company and its subsidiary companies

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

DIRECTORS' REPORT (CONT'D)

Directors' Interests in Shares

The interests and deemed interests in the shares, warrants and options over the 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 1.1.2017	**Acquired**	**Sold**	**At 31.12.2017**
Interests in the Company				
Direct interests				
Toh Hong Chye	30,002,900	-	-	30,002,900
Wong Ngai Peow	403,000	6,500,000	(4,000,000)	2,903,000
Low Kim Leng	1,000,000	-	-	1,000,000
Indirect interests				
Toh Hong Chye*	30,000,000	12,000,000	-	42,000,000
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil#	-	12,000,000	-	12,000,000

	Number of Warrants			
	At 1.1.2017	**Acquired**	**Sold**	**At 31.12.2017**
Interests in the Company				
Direct interests				
Wong Ngai Peow	1,500	-	-	1,500

	Number of options over ordinary shares			
	At 1.1.2017	**Granted /Vested**	**Exercised**	**At 31.12.2017**
Interests in the Company				
Direct interests				
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	1,500,000	-	-	1,500,000
Toh Hong Chye	8,300,000	-	-	8,300,000
Wong Ngai Peow	7,000,000	-	(6,500,000)	500,000
Low Kim Leng	600,000	-	-	600,000

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

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

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 31(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 31(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, Directors and officers of the Company are covered under the Management Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and officers of the Company subject to the terms of the policy. The total amount of premium paid for the Management Liability Insurance by the Company was RM15,000.

There was no indemnity given to or insurance effected for auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

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 there were no bad debts to be written off and no allowance for doubtful debts was required; 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 to make any allowance for doubtful debts in the financial statements of the Group and of the Company; 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 7 to the financial statements.

Significant and Subsequent Events

The significant and subsequent events are disclosed in Note 35 to the financial statements.

Auditors' Remuneration

The details of auditors' remuneration are set out in Note 24 to the financial statements.

Auditors

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 March 2018.

TOH HONG CHYE | **WONG NGAI PEOW**

KUALA LUMPUR

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 53 to 121 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 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 March 2018.

TOH HONG CHYE

WONG NGAI PEOW

KUALA LUMPUR

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

I, TOH HONG CHYE, being the Director primarily responsible for the financial management of AppAsia Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 53 to 121 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the state)
of Federal Territory on 29 March 2018)

TOH HONG CHYE

Before me,

NO. W710
MOHAN A.S. MANIAM

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF APPASIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of APPASIA BERHAD, which comprise the statements of financial position as at 31 December 2017 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 53 to 121.

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 2017, 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). We focused on this area because the management make judgements over both the events or changes in circumstances indicating that trade receivables are impaired and the estimation of the size of any such impairment. The trade receivables are monitored individually by management and therefore the impairment is assessed based on knowledge of each individual receivable.	Our audit procedures included, amongst others: • Developing an understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports or other collection reports; • Evaluated and tested the credit process in place to assess and manage the recoverability of trade receivables; • Critically assessed recoverability of receivables that were past due but not impaired with reference to their historical records and repayment trends; • Reviewing receipts of collections subsequent to the financial year end, customer correspondence, and considering level of activity with the customer and explanation on recoverability with significantly past due balances; and • Assessing the reasonableness of impairment charges for identified credit exposures. Based on the procedures performed, we noted no significant exceptions.

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

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Refer to Note 2(d) (Significant Accounting Judgements, Estimates and Assumptions), Note 3(q) (Significant Accounting Policies) and Note 22 (Revenue). During the financial year ended 31 December 2017, the Group recognised revenue of RM142,839,297 which represents the most significant amount in the financial statements of the Group. The Group derives different streams of revenues arising from different structures of transactions and arrangement with its suppliers and customers from its business models. For each arrangement, management has to exercise judgement to determine whether the Group has the primary responsibility for providing the goods or services or for fulfilling the order, pricing latitude, inventory risk and credit risk. Hence, assessing whether a sale transaction contains the features of acting as principal or as an agent requires significant judgement. These judgements could result in a risk that revenue from the sale of goods and/or services rendered is presented in gross amounts instead of net amounts.	Our audit procedures included, amongst others: • We obtained understanding of the revenue recognition process applied by the management to evaluate management's assessment with regard to whether the Group is acting as principal or agent and performed walkthrough on these processes; • We read and analysed the contractual terms of the contracts with suppliers and arrangements with customers to evaluate management's assessment with regard to whether the Group is acting as principal or agent are in accordance with the MFRS 118 Revenue; • We tested the operating effectiveness of internal control procedure as well as test of details to ensure accurate processing of revenue transactions; • We assessed sales invoices issued, both before and after the financial year end date to assess whether the revenue was recognised in the correct accounting period; and • We the appropriateness of the disclosures in the financial statements are in accordance with MFRS 118 Revenue. Based on the procedures performed, we noted no significant exceptions.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTER

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

UHY
Firm Number: AF 1411
Chartered Accountants

TAN TIAN WOOI
Approved Number: 2969/05/18 (J)
Chartered Accountant

KUALA LUMPUR

29 March 2018

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	535,688	1,150,000	386,388	811,206
Investment properties	5	2,402,167	3,698,967	2,402,167	2,452,167
Development expenditures	6	1,066,126	400,000	-	400,000
Investment in subsidiary companies	7	-	-	18,406,504	18,406,504
Investment in an associate company	8	36,573	51,582	100,000	60,000
		4,040,554	5,300,549	21,295,059	22,129,877
Current Assets					
Inventories	9	178,947	286,587	-	-
Trade receivables	10	98,638,500	153,421	-	-
Other receivables	11	1,858,266	693,771	930,122	234,936
Amount due from subsidiary companies	12	-	-	4,040,422	-
Tax recoverable		62,817	109,596	-	-
Fixed deposits with licensed banks	13	5,041,351	16,620	5,041,351	-
Cash and bank balances	14	15,493,822	5,176,527	7,861,553	3,809,715
Assets classified as held for sale	15	828,000	-	-	-
		122,101,703	6,436,522	17,873,448	4,044,651
Total Assets		126,142,257	11,737,071	39,168,507	26,174,528
EQUITY					
Share capital	16	50,450,491	28,372,280	50,450,491	28,372,280
Reserves	17	(23,829,877)	(18,329,217)	(11,573,371)	(3,528,083)
Total Equity		26,620,614	10,043,063	38,877,120	24,844,197
LIABILITIES					
Non-Current Liability					
Finance lease liabilities	18	49,642	141,253	49,642	141,253
		49,642	141,253	49,642	141,253
Current Liabilities					
Trade payables	19	96,772,250	42,236	-	-
Other payables	20	2,556,800	1,392,367	150,134	234,776
Amount due to subsidiary companies	12	-	-	-	838,929
Amount due to an associate company	21	-	2,779	-	-
Finance lease liabilities	18	91,611	115,373	91,611	115,373
Tax payable		51,340	-	-	-
		99,472,001	1,552,755	241,745	1,189,078
Total Liabilities		99,521,643	1,694,008	291,387	1,330,331
Total Equity and Liabilities		126,142,257	11,737,071	39,168,507	26,174,528

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 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	22	142,839,297	4,658,751	1,668,335	2,760,000
Cost of sales		(136,699,778)	(1,122,173)	-	-
Gross profit		6,139,519	3,536,578	1,668,335	2,760,000
Other income		980,127	490,843	15,009	200,566
Administrative expenses		(7,269,833)	(10,862,982)	(4,618,129)	(5,094,214)
Finance costs	23	(10,939)	(9,392)	(10,939)	(9,392)
Share of result of an associate company		(55,009)	(8,418)	-	-
Loss before taxation	24	(216,135)	(6,853,371)	(2,945,724)	(2,143,040)
Taxation	25	(199,105)	1,558	-	-
Net loss for the financial year		(415,240)	(6,851,813)	(2,945,724)	(2,143,040)
Other comprehensive income/(loss)					
Item that is or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operation		14,144	(6,441)	-	-
Other comprehensive income/(loss) for the financial year		14,144	(6,441)	-	-
Total comprehensive loss for the financial year		(401,096)	(6,858,254)	(2,945,724)	(2,143,040)
Loss for the financial year attributable to owners of the parent		(415,240)	(6,851,813)	(2,945,724)	(2,143,040)
Total comprehensive loss attributable to owners of the parent		(401,096)	(6,858,254)	(2,945,724)	(2,143,040)
Loss per share					
Basic loss per share (sen)	26(a)	(0.14)	(2.42)		
Diluted loss per share (sen)	26(b)	(0.11)	(2.42)		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Attributable to the Owners of the Parent							
		Non-Distributable							
Group	Note	Share Capital RM	Share Premium RM	Warrant Reserve RM	Other Reserve RM	Share Issuance Scheme Option Reserve RM	Foreign Currency Translation Reserve RM	Accumulated Losses RM	Total Equity RM
At 1 January 2016		28,112,280	4,013,140	20,982,416	(20,982,416)	1,286,217	(2,496)	(18,231,528)	15,177,613
Net loss for the financial year		-	-	-	-	-	-	(6,851,813)	(6,851,813)
Other comprehensive loss for the financial year		-	-	-	-	-	(6,441)	-	(6,441)
Total comprehensive loss for the financial year		-	-	-	-	-	(6,441)	(6,851,813)	(6,858,254)
Transactions with owners:									
Shares options granted under SIS	17	-	-	-	-	1,247,904	-	-	1,247,904
Share options lapsed	17	-	-	-	-	(611,302)	-	611,302	-
Exercised of SIS	16,17	260,000	397,405	-	-	(181,605)	-	-	475,800
Total transactions with owners		260,000	397,405	-	-	454,997	-	611,302	1,723,704
At 31 December 2016		28,372,280	4,410,545	20,982,416	(20,982,416)	1,741,214	(8,937)	(24,472,039)	10,043,063

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

		Attributable to the Owners of the Parent						
		Non-Distributable						
Company	**Note**	**Share Capital RM**	**Share Premium RM**	**Warrant Reserve RM**	**Other Reserve RM**	**Share Issuance Scheme Option Reserve RM**	**Accumulated Losses RM**	**Total Equity RM**
At 1 January 2016		28,112,280	4,013,140	20,982,416	(20,982,416)	1,286,217	(8,148,104)	25,263,533
Net loss for the financial year, representing total comprehensive loss for the financial year		-	-	-	-	-	(2,143,040)	(2,143,040)
Transactions with owners:								
Shares options granted under SIS	17	-	-	-	-	1,247,904	-	1,247,904
Share options lapsed	17	-	-	-	-	(611,302)	611,302	-
Exercised of SIS	16,17	260,000	397,405	-	-	(181,605)	-	475,800
Total transactions with owners		260,000	397,405	-	-	454,997	611,302	1,723,704
At 31 December 2016		28,372,280	4,410,545	20,982,416	(20,982,416)	1,741,214	(9,679,842)	24,844,197

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

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

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash Flows From Operating Activities					
Loss before taxation		(216,135)	(6,853,371)	(2,945,724)	(2,143,040)
Adjustments for:					
Amortisation of development expenditure		140,674	-	-	-
Depreciation of investment properties		85,207	88,473	50,000	47,833
Depreciation of property, plant and equipment		566,506	836,461	435,064	536,565
Share-based payment		1,250,790	1,247,904	1,250,790	1,247,904
Impairment losses on trade receivables		-	145,459	-	-
Interest expenses		10,939	9,392	10,939	9,392
Inventories written off		37,105	-	-	-
Development expediture written off		400,000	-	400,000	-
Property, plant and equipment:					
- written off		57,540	30,422	-	-
- others		-	2,521	-	2,521
Reversals of inventories written off		-	(52,196)	-	-
Waiver of amount due to other payables		-	(534)	-	-
Share of result of an associate company		55,009	8,418	-	-
Gain on disposals of investment properties		(816,407)	-	-	-
Gain on disposals of property, plant and equipment		-	(21,489)	-	-
Unrealised loss/(gain) on foreign exchange		47,055	(124,748)	156	(80,024)
Interest income		(113,788)	(136,520)	(108,335)	(117,342)
Operating profit/(loss) before working capital changes		1,504,495	(4,819,808)	(907,110)	(496,191)
Change in working capital:					
Inventories		69,573	297,385	-	-
Receivables		(99,654,022)	1,401,798	(695,186)	1,399,395
Payables		97,924,395	(610,650)	(84,642)	(179,611)
Associate company		(2,779)	2,779	-	-
Subsidiary companies		-	-	(4,879,351)	4,158,460
		(1,662,833)	1,091,312	(5,659,179)	5,378,244
Cash (used in)/generated from operations		(158,338)	(3,728,496)	(6,566,289)	4,882,053
Interest paid		(10,939)	(9,392)	(10,939)	(9,392)
Interest received		113,788	136,520	108,335	117,342
Tax paid		(151,560)	(60,008)	-	-
Tax refund		50,574	37,200	-	-
Net cash (used in)/generated from operating activities		(156,475)	(3,624,176)	(6,468,893)	4,990,003

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash Flows From Investing Activities					
Additions of development expediture		(1,206,800)	(400,000)	-	(400,000)
Purchases of property, plant and equipment	4(a)	(10,246)	(497,062)	(10,246)	(383,760)
Purchases of investment properties		-	(2,500,000)	-	(2,500,000)
Proceeds from disposals of investment properties		1,200,000	-	-	-
Proceeds from disposals of property, plant and equipment		-	29,329	-	-
Investment in subsidiary companies		-	-	-	(6,900,000)
Investment in an associate company		(40,000)	(60,000)	(40,000)	(60,000)
Net cash used in investing activities		(57,046)	(3,427,733)	(50,246)	(10,243,760)
Cash Flows From Financing Activities					
Proceeds from issuance of ordinary shares		10,393,387	-	10,393,387	-
Proceeds from conversion of Warrants		424,580	-	424,580	-
Proceeds from exercises of SIS Options		4,909,890	475,800	4,909,890	475,800
Decrease in fixed deposits pledged		-	241,954	-	-
Repayment of finance lease liabilities		(115,373)	(66,443)	(115,373)	(66,443)
Net cash generated from financing activities		15,612,484	651,311	15,612,484	409,357
Net increase/(decrease) in cash and cash equivalents		15,398,963	(6,400,598)	9,093,345	(4,844,400)
Effect of exchange translation differences on cash and cash equivalents		(56,937)	117,853	(156)	80,024
Cash and cash equivalents at the beginning of the financial year		5,193,147	11,475,892	3,809,715	8,574,091
Cash and cash equivalents at the end of the financial year		20,535,173	5,193,147	12,902,904	3,809,715
Cash and cash equivalents at the end of the financial year comprises:					
Fixed deposits with licensed banks		5,041,351	16,620	5,041,351	-
Cash and bank balances		15,493,822	5,176,527	7,861,553	3,809,715
		20,535,173	5,193,147	12,902,904	3,809,715

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

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

2. Basis of Preparation

(a) Statement of compliance

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

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 –2016 Cycle	Amendments to MFRS 12

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities in Note 29 to the financial statements. Other than that, the adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Basis of Preparation

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

		Effective dates for financial periods beginning on or after
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*	1 January 2018*
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term interests in Associates or Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:
* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

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

MFRS 9, Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 Financial Instruments: Recognition and Measurement.

(a) Classification of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:
- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVOCI"); and
- Fair Value through Profit or Loss ("FVTPL").

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

Based on its assessment, the financial assets held by the Group and the Company as at 31 December 2017 will be reclassified to the following classifications:

	2017 RM	Existing classification under MFRS 139	New classification under MFRS 9
Group			
Financial assets			
Trade receivables	98,638,500	L&R	AC
Other receivables	896,781	L&R	AC
Fixed deposits with licensed banks	5,041,351	L&R	AC
Cash and bank balances	15,493,822	L&R	AC
Company			
Financial assets			
Other receivables	218,184	L&R	AC
Amounts due from subsidiary companies	4,040,422	L&R	AC
Fixed deposits with licensed banks	5,041,351	L&R	AC
Cash and bank balances	7,861,553	L&R	AC

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

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

(b) Impairment of financial assets

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at AC or FVOCI, except for investment securities.

Under MFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, the Group and the Company have adopted lifetime ECL measurements for loans and receivables due to the expected lifetime period of loans and receivables are generally less than 12 months.

(c) Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group and the Company has not designated any financial liabilities at FVTPL and it has no current intention to do so.

Based on the assessments undertaken to date, the Group and the Company do not expect the above new requirements to affect the classification and measurements of its financial assets and financial liabilities. On the ECL impact, the Group and the Company expects an increase in the Group's and the Company's allowance for impairment by less than 5% of loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

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

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

(ii) MFRS 15 *Revenue from Contracts with Customers*

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

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

Based on the preliminary initial assessment, the Group does not expect the application of MFRS 15 to have a significant impact on financial statements.

(iii) MFRS 16 *Leases*

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

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

The Group and the Company are assessing the impact of the above new standard on the financial statements of the Group and of the Company in the year of initial adoption.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

2. Basis of Preparation (Cont'd)

(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, unless 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

Revenue recognition

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

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

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

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

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment and investment properties

The Group regularly reviews the estimated useful lives of property, plant and equipment and investment properties based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and investment properties would increase the recorded depreciation and decrease the value of property, plant and equipment and investment properties. The carrying amount of the property, plant and equipment and investment properties are disclosed in Notes 4 and 5 respectively to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (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 to the financial statements.

Development costs

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

Recoverability of development costs

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

Amortisation of development costs

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

Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 10, 11, 12, 13 and 14 respectively to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of unrecognised deferred tax assets are disclosed in Note 27 to financial statements.

Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also require determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Details of assumptions made in respect of the share-based payment scheme are disclosed in Notes 17(d) and 30 respectively to the financial statements.

Income taxes

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

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2017, the Group has tax recoverable and payable of RM62,817 (2016: RM109,596) and RM51,340 (2016: RMNil) respectively.

Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of business. Details of legal proceedings in which the Group is involved in as at 31 December 2017 is disclosed in Note 36 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies

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

(a) Basic of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

If the business combination is achieved in stages, 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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

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

(a) **Basic 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(m)(i) on impairment of non-financial asset.

(b) **Investments in associate company**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

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

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

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

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

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

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

(c) Foreign currency translation

(i) Foreign currency transactions and balances

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(c) Foreign currency translation (Cont'd)

(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. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Property, plant and equipment

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

(i) Recognition and measurement

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

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

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

(e) Leases

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

As lessee

(i) Finance lease

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(e) Leases (Cont'd)

As lessee (Cont'd)

(ii) Operating lease

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

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

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

As lessor

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

(f) Investment properties

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

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

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

Freehold land and buildings	2%

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(g) Intangible assets

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

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

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

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

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

(ii) Derecognition of intangible assets

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

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

(h) Financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(h) Financial assets (Cont'd)

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

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

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

(i) Financial liabilities

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

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

The Group and the Company classify their financial liabilities at initial recognition into the following categories:

(i) Other financial liabilities measured at amortised cost

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

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

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

(ii) Financial guarantee contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

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

(i) Financial liabilities (Cont'd)

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

(j) Offsetting of financial instruments

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

(k) Inventories

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

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

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

(l) Cash and cash equivalents

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

(m) Impairment of assets

(i) Non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(m) Impairment of assets (Cont'd)

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

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

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

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

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies and associates, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(n) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable transaction costs. Ordinary shares are classified as equity.

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

(o) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

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

(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.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(p) Deferred income

Deferred income represents the cash received in advance from customer in respect of services which are yet to be provided. Such amounts are recorded as liabilities in the statement of financial position and are only recognised in the statements of profit or loss and other comprehensive income upon the rendering of services to customers.

(q) Revenue

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

(i) Sale of goods

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

(ii) Rendering of services

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

(iii) 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.

(iv) 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.

(v) Interest income

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

(vi) Management fee

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(r) Borrowing costs

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

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

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

(s) Income taxes

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

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

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

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Deferred tax assets and liabilities are not discounted.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(t) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

(u) 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.

(v) Contingencies

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

4. Property, Plant and Equipment

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (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
Group						
2016						
Cost						
At 1 January 2016	266,439	222,894	593,028	181,320	534,805	1,798,486
Additions	59,798	44,453	4,199	268,868	359,744	737,062
Disposals	-	(245)	(9,120)	(61,320)	-	(70,685)
Written off	(24,543)	(18,910)	-	-	(41,980)	(85,433)
Others	-	-	(6,724)	-	-	(6,724)
Foreign currency translation differences	-	547	-	-	-	547
At 31 December 2016	301,694	248,739	581,383	388,868	852,569	2,373,253
Accumulated depreciation						
At 1 January 2016	30,997	67,732	220,690	77,791	111,548	508,758
Charge for the financial year	63,183	43,850	238,287	47,198	443,943	836,461
Disposals	-	(82)	(4,180)	(58,583)	-	(62,845)
Written off	(6,243)	(13,785)	-	-	(34,983)	(55,011)
Others	-	-	(4,203)	-	-	(4,203)
Foreign currency translation differences	-	93	-	-	-	93
At 31 December 2016	87,937	97,808	450,594	66,406	520,508	1,223,253
Carrying amount						
At 31 December 2016	213,757	150,931	130,789	322,462	332,061	1,150,000

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

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

	Funiture and fittings RM	Office equipment RM	Computers RM	Motor vehicles RM	Renovation RM	Total RM
Company						
2017						
At 1 January 2017	126,829	94,322	254,742	388,868	611,597	1,476,358
Additions	-	-	10,246	-	-	10,246
At 31 December 2017	126,829	94,322	264,988	388,868	611,597	1,486,604
Accumulated depreciation						
At 1 January 2017	28,315	20,291	214,576	66,406	335,564	665,152
Charge for the financial year	25,366	18,864	44,130	77,774	268,930	435,064
At 31 December 2017	53,681	39,155	258,706	144,180	604,494	1,100,216
Carrying amount						
At 31 December 2017	73,148	55,167	6,282	244,688	7,103	386,388
2016						
At 1 January 2016	104,958	63,390	257,267	120,000	313,707	859,322
Additions	21,871	30,932	4,199	268,868	297,890	623,760
Others	-	-	(6,724)	-	-	(6,724)
At 31 December 2016	126,829	94,322	254,742	388,868	611,597	1,476,358
Accumulated depreciation						
At 1 January 2016	1,475	1,008	95,720	20,000	14,587	132,790
Charge for the financial year	26,840	19,283	123,059	46,406	320,977	536,565
Others	-	-	(4,203)	-	-	(4,203)
At 31 December 2016	28,315	20,291	214,576	66,406	335,564	665,152
Carrying amount						
At 31 December 2016	98,514	74,031	40,166	322,462	276,033	811,206

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (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	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Aggregate costs	10,246	737,062	10,246	623,760
Less: Finance leases	-	(240,000)	-	(240,000)
Cash payments	10,246	497,062	10,246	383,760

(b) Assets held under finance leases

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

	Group and Company	
	2017 RM	**2016 RM**
Motor vehicles	244,688	322,462

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

5. Investment Properties

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Freehold land and buildings:				
Cost				
At 1 January	4,532,000	2,032,000	2,500,000	-
Additions	-	2,500,000	-	2,500,000
Disposals	(652,000)	-	-	-
Transfer to assets classified as held for sale (Note 15)	(1,380,000)	-	-	-
At 31 December	2,500,000	4,532,000	2,500,000	2,500,000
Accumulated depreciation				
At 1 January	833,033	744,560	47,833	-
Charge for the financial year	85,207	88,473	50,000	47,833
Disposals	(268,407)	-	-	-
Transfer to assets classified as held for sale (Note 15)	(552,000)	-	-	-
At 31 December	97,833	833,033	97,833	47,833

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

5. Investment Properties (Cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Carrying amount				
At 31 December	2,402,167	3,698,967	2,402,167	2,452,167
Fair value of investment properties				
At 31 December	2,450,000	7,030,000	2,450,000	3,000,000

(a) Fair value basis of investment properties

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

(b) Income and expenses recognised in profit or loss

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Rental income	(120,048)	(150,100)	-	-
Direct operating expenses	52,689	52,658	8,420	5,380

6. Development Expenditures

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cost				
At 1 January	400,000	-	400,000	-
Additions	1,206,800	400,000	-	400,000
Written off	(400,000)	-	(400,000)	-
At 31 December	1,206,800	400,000	-	400,000
Less: Accumulated amortisation				
At 31 December/Amortisation during the financial year	140,674	-	-	-
Carrying amount				
At 31 December	1,066,126	400,000	-	400,000

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

6. Development Expenditures (Cont'd)

Impairment testing for development expenditure

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

The recoverable amount of CGU in respect of the development expenditures were determined based on VIU calculation. Cash flow projections used in these calculations were based on five-year financial budgets approved by management. Pre-tax discount rates of 4.75% (2016: 4.75%) have been applied to cash flow projections.

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

7. Investment in Subsidiary Companies

	Company 2017 RM	Company 2016 RM
In Malaysia		
Unquoted shares, at cost	18,406,504	18,406,504

Details of subsidiary companies are as follows:

Name of company	Country of incorporation	Equity interest 2017 %	Equity interest 2016 %	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. (Formerly known as Extol Ventures 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

7. Investment in Subsidiary Companies (Cont'd)

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

Name of company	Country of incorporation	Equity interest 2017 %	Equity interest 2016 %	Principal activities
AppAsia Cloud Sdn. Bhd.	Malaysia	100	100	To offer all kinds of services related to information technology infrastructure, application systems and computer software including system support and maintenance, system integration, project coordination, management, implementation, consultation, training, seminars, exhibition, agency and representation.
AppAsia Tech Sdn. Bhd.	Malaysia	100	100	Information Technology Systems and applications development related business.
AppAsia Studio Sdn. Bhd.	Malaysia	100	100	Information Technology Systems, mobile applications and games development related business.
AppAsia Mall Sdn. Bhd.	Malaysia	100	100	To carry on business in relation to E-commerce and to deal on all type of e-commerce in all 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 Online Sdn. Bhd.#	Malaysia	100	100	Dormant
AppAsia Pay Sdn. Bhd.	Malaysia	100	100	Online payment gateways, e-commerce, electronic data interchange etc. and mobile application development related business.
Held through AppAsia International Sdn. Bhd.				
AppAsia International Pty. Ltd.*	Australia	100	100	Online trading, e-commerce, mobile application solutions.

* *Subsidiary company not audited by UHY*

\# *In the progress of striking off the subsidiary company*

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

7. Investment in Subsidiary Companies (Cont'd)

On 18 September 2017, the Company had filed an application to Companies Commission of Malaysia ("CCM") to strike off a wholly-owned subsidiary company, AppAsia Online Sdn. Bhd. ("AOSB") from the register of CCM under Section 550 of the Companies Act, 2016.

AOSB has not carried on business since incorporation. On 15 January 2018, CCM had issued a notice of Section 308(4) of the Companies Act, 2016 to AOSB. However, the Company has yet to receive the Gazette Notice under Section 551(3) of Companies Act, 2016 as at the date of this report.

8. Investment in an Associate Company

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At Cost				
Unquoted shares in Malaysia	100,000	60,000	100,000	60,000
	100,000	60,000	100,000	60,000
Share of post-acquisition reserve	(63,427)	(8,418)	-	-
	36,573	51,582	100,000	60,000

Details of an associate company as below:

Name of company	Country of incorporation	Equity interest 2017 %	Equity interest 2016 %	Principal activities
AppAsia Express Sdn. Bhd.	Malaysia	20	20	Courier services carry business as distributor

On 5 July 2017, the Company had subscribed additional 40,000 ordinary shares in AppAsia Express Sdn. Bhd. for a total cash consideration of RM40,000.

9. Inventories

	Group	
	2017 RM	2016 RM
Raw materials	38,065	38,065
Finished goods	140,882	248,522
	178,947	286,587
Recognised in profit or loss:		
Inventories recognised as cost of sales	334,364	377,590
Inventories written off	37,105	-
Reversal of inventories written off	-	52,196

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

10. Trade Receivables

	Group 2017 RM	Group 2016 RM
Trade receivables	98,638,500	298,880
Less: Acccumulated impairment losses	-	(145,459)
	98,638,500	153,421

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2016: 30 to 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group's credit exposures are concentrated mainly on 11 (2016: 5) debtors, which accounted for 56% (2016: 90%) of the total trade receivables at the end of the reporting period.

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

	Group 2017 RM	Group 2016 RM
At 1 January	145,459	-
Impairment losses recognised	-	145,459
Written off	(145,459)	-
At 31 December	-	145,459

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

	Group 2017 RM	Group 2016 RM
Neither past due nor impaired	38,865,659	132,554
Past due not impaired:		
Less than 30 days	26,396,633	20,655
31 to 60 days	13,826,793	212
More than 60 days	19,549,415	-
	59,772,841	20,867
	98,638,500	153,421
Impaired	-	145,459
	98,638,500	298,880

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

10. Trade Receivables (Cont'd)

Trade receivables that are past due but not impaired

As at 31 December 2017, trade receivables of RM59,772,841 (2016: RM20,867) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

Trade receivables that are impaired

The trade receivables of the Group that are individually assessed to be impaired amounting to RMNil (2016: RM145,459), related to a customer that is in financial difficulties, has disputed on the billings. These balances are expected to be recovered through the debts recovery process.

Included in trade receivables of the Group is RM184,000 (2016: RMNil) due from the company in which a Director of the Company has financial interests. This amount is unsecured, non-bearing interest and is repayable on demand.

11. Other Receivables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Other receivables	635,273	232,018	12,968	1,433
Deposits	261,508	245,506	205,216	146,766
Prepayments	920,133	168,308	711,938	86,722
GST recoverable	41,352	47,939	-	15
	1,858,266	693,771	930,122	234,936

Included in other receivables of the Group and the Company are RM12,968 (2016: RM1,433) and RM12,968 (2016: RM1,433) respectively due from companies in which a Director of the Company has substantial financial interests. These amount are unsecured, non-bearing interest and are repayable on demand.

Included in prepayments of the Group and the Company are RM646,368 (2016: RMNil) and RM637,671 (2016: RMNil) respectively relates to the expenses incurred for the proposed listing on Australian Securities Exchange ("ASX").

12. Amount Due from/(to) Subsidiary Companies

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

13. Fixed Deposits with Licensed Banks

The interest rate and maturities of deposits of the Group and Company at the end of the reporting period ranging from 2.95% to 3.00% (2016: 1.00%) and 30 to 90 days (2016: 30 days) respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

14. Cash and Bank Balances

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
United States Dollar	13,369	17,318	148	2,416
Australian Dollar	88,605	101,720	-	1,653
Singapore Dollar	3,087	596	2,503	-
Thai Baht	14,587	-	14,587	-
Myanmar Kyat	475	475	-	-
Chinese Renminbi	5,933	1,174	-	-
Indonesian Rupiah	2,491	-	-	-

15. Assets Classified as Held for Sale

	Group	
	2017	**2016**
	RM	**RM**
Investment Properties		
At 1 January	-	-
Transfer from investment properties (Note 5)	828,000	-
At 31 December	828,000	-

On 30 August 2017, the Group had 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 transactions are expecting to be completed during the financial year ending 31 December 2018.

16. Share Capital

	Group and Company			
	Number of Shares		Amount	
	2017	**2016**	**2017**	**2016**
	Units	**Units**	**RM**	**RM**
Ordinary shares with no par value (2016: par value of RM0.10 each)				
Authorised				
At 1 January/31 December	*	1,000,000,000	*	1,000,000,000

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

16. Share Capital (Cont'd)

	Group and Company			
	Number of Shares		Amount	
	2017 Units	2016 Units	2017 RM	2016 RM
Issued and fully paid				
At 1 January	283,722,800	281,122,800	28,372,280	28,112,280
Issuance of ordinary shares	31,381,000	-	10,393,387	-
Conversion of Warrants	3,266,000	-	424,580	-
Exercises of SIS options	26,830,000	2,600,000	6,849,699	260,000
Transfer from share premium in accordance with Section 618(2) of the Companies Act, 2016*	-	-	4,410,545	-
At 31 December	345,199,800	283,722,800	50,450,491	28,372,280

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

During the financial year, the number of issued and paid-up ordinary share capital of the Company was increased as follows:

(i) the issuance of 31,381,000 ordinary shares through Private Placement for working capital purposes;
(ii) the issuance of 3,266,000 ordinary shares through conversions of the Warrants; and
(iii) the issuance of 26,830,000 ordinary shares through the exercises of the Share Issuance Scheme ("SIS") Options.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

17. Reserves

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Share premium	(a)	-	4,410,545	-	4,410,545
Warrant reserve	(b)	20,489,250	20,982,416	20,489,250	20,982,416
Other reserve	(c)	(20,489,250)	(20,982,416)	(20,489,250)	(20,982,416)
Share Issuance Scheme Option reserve	(d)	977,496	1,741,214	977,496	1,741,214
Foreign currency translation reserve	(e)	5,207	(8,937)	-	-
Accumulated losses		(24,812,580)	(24,472,039)	(12,550,867)	(9,679,842)
		(23,829,877)	(18,329,217)	(11,573,371)	(3,528,083)

(a) Share premium

	Group and Company 2017 RM	Group and Company 2016 RM
At 1 January	4,410,545	4,013,140
Shares options granted under SIS	-	397,405
Transfer from share premium in accordance with Section 618(2) of the Companies Act, 2016	(4,410,545)	-
At 31 December	-	4,410,545

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

(b) Warrant reserve

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

During the financial year ended 31 December 2015, the Company issued renounceable rights issue of up to 138,956,400 new ordinary shares of RM0.10 each together with up to 138,956,400 free detachable warrants ("Warrants") on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) existing ordinary share held.

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

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

As at the financial year end, the total number of Warrants that remain unexercised were 135,690,400 (2016: 138,956,400).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

17. Reserves (Cont'd)

(c) Other reserve

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

(d) Share Issuance Scheme Option reserve

Share Issuance Scheme option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options. Share Issuance Scheme option is disclosed in Note 30.

(e) Foreign currency translation reserve

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

18. Finance Lease Liabilities

	Group and Company	
	2017	**2016**
	RM	**RM**
Minimum lease payments		
Within one year	96,477	126,312
Later than one year and not later than two years	50,465	96,477
Later than two years and not later than five years	-	50,465
	146,942	273,254
Less: Future finance charges	(5,689)	(16,628)
Present value of minimum lease payments	141,253	256,626
Present value of minimum lease payments		
Within one year	91,611	115,373
Later than one year and not later than two years	49,642	91,611
Later than two years and not later than five years	-	49,642
	141,253	256,626
Analysed as:		
Repayable within twelve months	91,611	115,373
Repayable after twelve months	49,642	141,253
	141,253	256,626

The finance lease liabilities are secured by a charge over the leased assets as disclosed in Note 4(b) to the financial statements. The interest rate for the leases is ranging from 2.72% to 3.50% (2016: 2.72% to 3.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

19. Trade Payables

Credit terms of trade payables of the Group and Company ranged from 30 to 90 days (2016: 30 to 60 days) depending on the terms of the contracts.

Included in trade payables of the Group is RM1,781 (2016: RMNil) due to an associate company. This amount is unsecured, non-interest bearing and is repayable on demand.

20. Other Payables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	1,168,189	233,545	47,631	130,075
Accruals	232,521	308,494	67,819	87,922
Deposits received	793,096	34,500	-	-
Deferred revenue	275,057	789,882	-	-
GST payable	87,937	25,946	34,684	16,779
	2,556,800	1,392,367	150,134	234,776

Included in other payables of the Group and the Company are RM2,911 (2016: RM7,059) and RM1,667 (2016: RM4,595) respectively due to a company in which a Director has substantial financial interests.

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

21. Amount Due to an Associate Company

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

22. Revenue

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Gross receivables from online sales	36,994,201	-	-	-
Less: Gross payables from online sales	(36,883,180)	-	-	-
Commission	111,021	-	-	-
Rendering of services	3,729,747	4,052,037	-	-
Sales of goods	138,890,194	606,714	-	-
Interest income	108,335	-	108,335	-
Management fees	-	-	1,560,000	2,760,000
	142,839,297	4,658,751	1,668,335	2,760,000

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

23. Finance Costs

	Group and Company	
	2017	2016
	RM	RM
Interest expenses on:		
Finance leases	10,939	9,392

24. Loss before Taxation

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

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Amortisation of development expenditures	140,674	-	-	-
Auditors' remuneration:				
- statutory	48,000	49,800	20,000	20,000
- others				
- current year	5,000	-	5,000	-
- under provision in prior year	5,000	-	5,000	-
Non-Executive Directors remuneration:				
- Fees	162,000	162,000	162,000	162,000
- Others	-	300	-	300
- Share-based payment	130,140	97,605	130,140	97,605
Depreciation of investment properties	85,207	88,473	50,000	47,833
Depreciation of property, plant and equipment	566,506	836,461	435,064	536,565
Impairment on trade receivables	-	145,459	-	-
Inventories written off	37,105	-	-	-
Development expenditure written off	400,000	-	400,000	-
Property, plant and equipment				
- written off	57,540	30,422	-	-
- others	-	2,521	-	2,521
Rental of equipment	3,913	4,258	2,400	2,400
Rental of premises	572,598	698,559	258,864	276,975
Share-based payment	1,120,650	1,150,299	1,120,650	1,150,299
Gain on disposal of investment properties	(816,407)	-	-	-
Gain on disposal of property, plant and equipment	-	(21,489)	-	-
Loss/(Gain) in foreign exchange:				
- realised	572	(7,664)	(9)	-
- unrealised	47,055	(124,748)	156	(80,024)
Interest income	(5,453)	(136,520)	-	(117,342)
Reversal of inventories written off	-	(52,196)	-	-
Waiver of amount due to other payables	-	(534)	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

25. Taxation

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Tax expenses recognised in profit or loss				
Current tax provision	146,098	-	-	-
Effect of real property gain tax	27,400	-	-	-
Under/(Over) provision in prior years	25,607	(1,558)	-	-
	199,105	(1,558)	-	-

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Loss before taxation	(216,135)	(6,853,371)	(2,945,724)	(2,143,040)
At Malaysian statutory tax rate of 24%(2016: 24%)	(51,872)	(1,644,809)	(706,974)	(514,330)
Effect of different tax rate in other jurisdiction	(12,000)	(49,221)	-	-
Effect of income subject to real property gain tax	27,400	-	-	-
Income not subject to tax	(195,962)	(20,118)	-	(19,206)
Expenses not deductible for tax purposes	691,943	867,066	439,501	467,010
Deferred tax assets not recognised	3,695	847,082	373,261	66,526
Utilisation of previously unrecognised deferred tax assets	(289,706)	-	(105,788)	-
Under/(Over) provision of taxation in prior years	25,607	(1,558)	-	-
Tax expense for the financial year	199,105	(1,558)	-	-

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Unutilised capital allowances	746,134	861,456	508,324	440,783
Unutilised tax losses	10,934,112	12,454,924	7,379,635	6,652,453
	11,680,246	13,316,380	7,887,959	7,093,236

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

26. Loss per Share

(a) Basic loss per share

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

	Group	
	2017 **RM**	**2016** **RM**
Loss attributable to owners of the parent	(415,240)	(6,851,813)
Weighted average number of ordinary shares in issue		
Issued ordinary shares at 1 January	283,722,800	281,122,800
Effect of ordinary shares issued during the financial year	17,272,329	2,206,936
Weighted average number of ordinary shares at 31 December	300,995,129	283,329,736
Basic loss per share (in sen)	(0.14)	(2.42)

(b) Diluted loss per share

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

	Group	
	2017 **RM**	**2016** **RM**
Loss attributable to ordinary shareholders	(415,240)	(6,851,813)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	300,995,129	283,329,736
Effect of share options on issue	6,733,733	-
Effect of conversion of Warrants	63,445,682	-
Weighted average number of ordinary shares at 31 December (diluted)	371,174,544	283,329,736
Diluted loss per share (in sen)	(0.11)	(2.42)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

27. Deferred Tax

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax liability	6,752	34,960	6,502	18,350
Deferred tax assets	(6,752)	(34,960)	(6,502)	(18,350)
	-	-	-	-

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax liability:				
Accelerated capital allowances				
At 1 January	34,960	98,080	18,350	49,300
Recognised in profit or loss	(28,208)	(63,120)	(11,848)	(30,950)
At 31 December	6,752	34,960	6,502	18,350
Deferred tax assets:				
Unutilised capital allowances				
At 1 January	32,468	91,410	18,350	49,300
Recognised in profit or loss	(25,966)	(58,942)	(11,848)	(30,950)
At 31 December	6,502	32,468	6,502	18,350
Unutilised tax losses				
At 1 January	2,492	6,670	-	-
Recognised in profit or loss	(2,242)	(4,178)	-	-
At 31 December	250	2,492	-	-
	6,752	34,960	6,502	18,350

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unutilised capital allowances	719,042	414,174	481,232	93,942
Unutilised tax losses	10,933,070	12,438,728	7,379,635	6,652,453
Taxable temporary differences	9,077	-	-	-
	11,661,189	12,852,902	7,860,867	6,746,395

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

28. Staff Costs

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Fee	122,880	283,158	-	-
Salaries and allowances	3,173,669	4,402,991	1,279,337	1,643,285
Defined contribution plans	352,715	476,982	153,977	193,339
Social security costs	25,377	37,582	9,122	11,170
Share-based payment expenses	1,250,790	1,247,904	1,250,790	1,247,904
Other benefits	129,042	168,749	65,398	111,837
Benefit-in-kind	38,300	31,100	31,100	31,100
	5,092,773	6,648,466	2,789,724	3,238,635
Less: staff costs capitalised into development expenditure	(1,118,311)	-	-	-
	3,974,462	6,648,466	2,789,724	3,238,635

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	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Executive Directors				
Salaries and allowances	720,000	752,100	420,000	527,100
Defined contribution plans	86,400	86,400	50,400	59,400
Social security costs	1,658	1,484	829	897
Share-based payment expenses	442,476	331,857	442,476	331,857
Benefit-in-kind	38,300	31,100	31,100	31,100
	1,288,834	1,202,941	944,805	950,354
Less: staff costs capitalised into development expenditure	(202,097)	-	-	-
	1,086,737	1,202,941	944,805	950,354

29. Reconciliation of liabilities arising from financing activities

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

	At 1.1.2017	Repayments	At 1.12.2017
	RM	**RM**	**RM**
Group and Company			
Finance lease liabilities	256,626	(115,373)	141,253

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

30. Share Issuance Scheme ("SIS")

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

The salient features of the SIS Options are as follows:

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

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

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

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

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

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

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

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

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

Date of offer	Exercise price	Number of options over ordinary shares At 1.1.2017	Exercised	Lapsed	At 31.12.2017
24 March 2015	0.183	44,006,000	(26,830,000)	(3,656,000)	13,520,000

Number of share options exercisable as at 31 December 2017 is 13,520,000 (2016: 44,066,000). The weighted average share price at the date of exercise for the financial year was RM0.183 (2016: RM0.183) per share option.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

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

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

SIS Options	Weighted average exercise price 2017 RM	Weighted average exercise price 2016 RM	Exercise period
24 March 2015	0.183	0.183	24.03.2015 - 12.03.2020

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

	2017 RM	2016 RM
Fair value at grant date:		
24 March 2015	0.0723	0.0723
Weighted average share price	0.228	0.228
Weighted average exercise price	0.183	0.183
Expected volatility (%)	162.64	162.64
Expected life (years)	5 years	5 years
Risk free rate (%)	3.736	3.736
Expected dividend yield (%)	Nil	Nil

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.

31. 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

31. Related Party Disclosures (Cont'd)

(b) Significant related party transactions

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

	2017 RM	2016 RM
Group		
Transactions with companies in which certain Directors have substantial financial interests		
Provision of services	53,000	-
Rental income received/receivable	60,000	48,000
Rental of premises paid/payable	448,947	464,883
Services rendered	184,000	-
Company		
Transactions with subsidiary companies		
Management fee	1,560,000	2,760,000
Outsource fee	-	31,387
Transactions with companies in which a Director of the Company has substantial financial interests		
Rental income received/receivable	12,000	-
Rental of premises paid/payable	258,864	276,975

(c) Compensation of key management personnel

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, fees and other emoluments	1,446,536	1,606,955	833,083	1,078,797
Share-based payment expenses	864,708	648,531	864,708	648,531
Social security costs	-	3,437	-	2,712
Defined contributions plan	157,512	135,539	99,972	106,089
Benefit-in-kind	38,300	31,100	31,100	31,100
	2,507,056	2,425,562	1,828,863	1,867,229
Less: staff costs capitalised into development expenditure	(392,502)	-	-	-
	2,114,554	2,425,562	1,828,863	1,867,229

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

32. Segment Information

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

ICT Security Business	Provides the solutions, products and services in the information technology security sector. It includes managed security services, security-enhanced enterprise solutions, managed infrastructure services, IT hardware and software trading, professional consultancy, system development, security penetration testing, forensic research and specialised training services.
E-Commerce Business	Research, development of online marketplace which caters for business to business (b2b) and business to customer (b2c) transactions and operations of e-commerce platform.
Digital Contents Business	Provides e-media technologies and solutions for digital media industries and contents aggregation, development of mobile applications, games and portals.
Management Services	Investment holding and provision of management services.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

32. **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
2017						
Revenue						
External customers	1,482,255	139,134,759	2,113,948	108,335	-	142,839,297
Inter segment	294,437	2,970	-	1,560,000	(1,857,407)	-
Total revenue	1,776,692	139,137,729	2,113,948	1,668,335	(1,857,407)	142,839,297
Segment results						
Interest income	1,267	3,170	1,016	-	-	5,453
Finance costs	-	-	-	(10,939)	-	(10,939)
Depreciation and amortisation	(62,404)	(85,269)	(159,650)	(485,064)	-	(792,387)
Other non-cash item	816,340	(140,565)	(912)	(1,650,946)	-	(976,083)
Segments profit/(loss) before tax	766,367	1,378,620	639,611	(2,945,724)	(55,009)	(216,135)
Assets						
Addition to property, plant and equipment	-	-	-	10,246	-	10,246
2016						
Revenue						
External customers	2,452,542	606,843	1,599,366	-	-	4,658,751
Inter segment	40,280	33	-	2,760,000	(2,800,313)	-
Total revenue	2,492,822	606,876	1,599,366	2,760,000	(2,800,313)	4,658,751
Segment results						
Interest income	9,649	8,774	755	117,342	-	136,520
Finance costs	-	-	-	(9,392)	-	(9,392)
Depreciation	(94,461)	(39,371)	(206,704)	(584,398)	-	(924,934)
Other non-cash item	(127,102)	37,500	(19,532)	(1,115,684)	-	(1,224,818)
Segments loss before tax	(709,093)	(2,424,275)	(1,568,545)	(2,143,040)	(8,418)	(6,853,371)
Assets						
Addition to property, plant and equipment	66,888	10,921	35,493	623,760	-	737,062

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

32. 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	
	2017 RM	2016 RM
Gain on disposal of investment properties	816,407	-
Gain on disposal of property, plant and equipment	-	21,489
Impairment loss on trade receivables	-	(145,459)
Inventories written off	(37,105)	-
Development expenditure written off	(400,000)	-
Property, plant and equipment written off	(57,540)	(30,422)
Reversal of inventories written off	-	52,196
Share-base payment expense	(1,250,790)	(1,247,904)
Unrealised(loss)/gain on foreign exchange	(47,055)	124,748
Waiver of amount due to other payable	-	534
	(976,083)	(1,224,818)

(c) Geographic information

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

	2017 RM	2016 RM
Malaysia	142,774,748	2,444,017
Cambodia	-	677,610
USA	45,304	562,050
People Republic of China	-	274,924
Others	19,245	700,150
	142,839,297	4,658,751

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

32. Segment Information (Cont'd)

(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	
	2017	**2016**
	RM	**RM**
Group		
- Customer A	-	677,609
- Customer B	-	618,372
- Customer C	27,147,912	-
- Customer D	19,530,417	-
- Customer E	16,094,510	-
	62,772,839	1,295,981

33. Financial Instruments

(a) Classification of financial instruments

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

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

	Loans and receivables RM	Other financial liabilities meaured at amortised cost RM	Total RM
Group			
2017			
Financial assets			
Trade receivables	98,638,500	-	98,638,500
Other receivables	896,781	-	896,781
Fixed deposits with licensed banks	5,041,351	-	5,041,351
Cash and bank balances	15,493,822	-	15,493,822
	120,070,454	-	120,070,454

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

33. Financial Instruments (Cont'd)

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

	Loans and receivables RM	Other financial liabilities meaured at amortised cost RM	Total RM
Group			
2017			
Financial liabilities			
Trade payables	-	96,772,250	96,772,250
Other payables	-	2,193,806	2,193,806
Finance lease liabilities	-	141,253	141,253
	-	99,107,309	99,107,309
2016			
Financial assets			
Trade receivables	153,421	-	153,421
Other receivables	477,524	-	477,524
Fixed deposits with licensed banks	16,620	-	16,620
Cash and bank balances	5,176,527	-	5,176,527
	5,824,092	-	5,824,092
Financial liabilities			
Trade payables	-	42,236	42,236
Other payables	-	576,539	576,539
Amount due to an associate company	-	2,779	2,779
Finance lease liabilities	-	256,626	256,626
	-	878,180	878,180
Company			
2017			
Financial assets			
Other receivables	218,184	-	218,184
Amount due from subsidiary companies	4,040,422	-	4,040,422
Fixed deposits with licensed banks	5,041,351	-	5,041,351
Cash and bank balances	7,861,553	-	7,861,553
	17,161,510	-	17,161,510
Financial liabilities			
Other payables	-	115,450	115,450
Finance lease liabilities	-	141,253	141,253
	-	256,703	256,703

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

33. Financial Instruments (Cont'd)

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

	Loans and receivables RM	Other financial liabilities meaured at amortised cost RM	Total RM
Company			
2016			
Financial assets			
Other receivables	148,199	-	148,199
Cash and bank balances	3,809,715	-	3,809,715
	3,957,914	-	3,957,914
Financial liabilities			
Other payables	-	217,997	217,997
Amount due to subsidiary companies	-	838,929	838,929
Finance lease liabilities	-	256,626	256,626
	-	1,313,552	1,313,552

(b) Financial risk management objectives and policies

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

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

(i) Credit risk

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

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

33. Financial Instruments (Cont'd)

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

(i) Credit risk (Cont'd)

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk.

The Group's has no significant concentration to credit risk except as disclosed in Note 10 to the financial statement. The Company has no significant concentration of credits risks except for advances to its subsidiary companies where risks of default have been assessed to be low.

(ii) Liquidity risk

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

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

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

	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					
2017					
Non-derivative financial liabilities					
Trade payables	96,772,250	-	-	96,772,250	96,772,250
Other payables	2,193,806	-	-	2,193,806	2,556,800
Finance lease liabilities	96,477	50,465	-	146,942	141,253
	99,062,533	50,465	-	99,112,998	99,470,303
2016					
Non-derivative financial liabilities					
Trade payables	42,236	-	-	42,236	42,236
Other payables	576,539	-	-	576,539	1,392,367
Amount due to an associate company	2,779	-	-	2,779	2,779
Finance lease liabilities	126,312	96,477	50,465	273,254	256,626
	747,866	96,477	50,465	894,808	1,694,008

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

33. Financial Instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Company					
2017					
Non-derivative financial liabilities					
Other payables	115,450	-	-	115,450	150,134
Finance lease liabilities	96,477	50,465	-	146,942	141,253
	211,927	50,465	-	262,392	291,387
2016					
Non-derivative financial liabilities					
Other payables	217,997	-	-	217,997	234,776
Amount due to subsidiary companies	838,929	-	-	838,929	838,929
Finance lease liabilities	126,312	96,477	50,465	273,254	256,626
	1,183,238	96,477	50,465	1,330,180	1,330,331

(iii) Market risks

(a) Foreign currency risk

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

33. Financial Instruments (Cont'd)

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

(iii) Market risks (Cont'd)

(a) Foreign currency risk (Cont'd)

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

	USD RM	AUD RM	SGD RM	THB RM	KYAT RM	RMB RM	IDR RM	Total RM
Group								
2017								
Cash and bank balances	13,369	88,605	3,087	14,587	475	5,933	2,491	128,547
Trade receivables	6,611	-	-	-	-	-	-	6,611
	19,980	88,605	3,087	14,587	475	5,933	2,491	135,158
2016								
Cash and bank balances	17,318	101,720	596	-	475	1,174	-	121,283
Trade receivables	13,050	-	-	-	-	-	-	13,050
	30,368	101,720	596	-	475	1,174	-	134,333
Company								
2017								
Cash and bank balances	148	-	2,503	14,587	-	-	-	17,238
2016								
Cash and bank balances	2,416	1,653	-	-	-	-	-	4,069

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

33. Financial Instruments (Cont'd)

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

(iii) Market risks (Cont'd)

(a) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

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

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

	Change in currency rate RM	2017 Effect on loss before tax RM	Change in currency rate RM	2016 Effect on loss before tax RM
Group				
USD	Strengthened 1%	200	Strengthened 1%	304
	Weakened 1%	(200)	Weakened 1%	(304)
AUD	Strengthened 1%	886	Strengthened 1%	1,017
	Weakened 1%	(886)	Weakened 1%	(1,017)
SGD	Strengthened 1%	31	Strengthened 1%	6
	Weakened 1%	(31)	Weakened 1%	(6)
THB	Strengthened 1%	146	Strengthened 1%	-
	Weakened 1%	(146)	Weakened 1%	-
KYAT	Strengthened 1%	5	Strengthened 1%	5
	Weakened 1%	(5)	Weakened 1%	(5)
RMB	Strengthened 1%	59	Strengthened 1%	12
	Weakened 1%	(59)	Weakened 1%	(12)
IDR	Strengthened 1%	25	Strengthened 1%	-
	Weakened 1%	(25)	Weakened 1%	-
Company				
USD	Strengthened 1%	1	Strengthened 1%	24
	Weakened 1%	(1)	Weakened 1%	(24)
AUD	Strengthened 1%	-	Strengthened 1%	17
	Weakened 1%	-	Weakened 1%	(17)
SGD	Strengthened 1%	25	Strengthened 1%	-
	Weakened 1%	(25)	Weakened 1%	-
THB	Strengthened 1%	146	Strengthened 1%	-
	Weakened 1%	(146)	Weakened 1%	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

33. Financial Instruments (Cont'd)

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

(iii) Market risks (Cont'd)

(b) Interest rate risk

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

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

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

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Fixed rate instruments				
Financial assets	5,041,351	16,620	5,041,351	-
Financial liabilities	(141,253)	(256,626)	(141,253)	(256,626)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

(c) Fair value of financial instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

33. Financial Instruments (Cont'd)

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

	Fair value of financial instruments not carried at fair value			
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Carrying amount RM**
Group and Company				
2017				
Financial liabilities (Non-current)				
Finance lease liabilities	-	47,893	-	49,642
Group and Company				
2016				
Financial liabilities (Non-current)				
Finance lease liabilities	-	132,485	-	141,253

(i) Policy on transfer between levels

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

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

(ii) Level 1 fair value

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

(iii) Level 2 fair value

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

Non-derivative financial instruments

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

(iv) Level 3 fair value

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

34. Capital Management

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

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

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

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Total loans and borrowings	141,253	256,626	141,253	256,626
Less: Cash and cash equivalents	(20,535,173)	(5,193,147)	(12,902,904)	(3,809,715)
Excess funds	(20,393,920)	(4,936,521)	(12,761,651)	(3,553,089)
Shareholders' equity	26,620,614	10,043,063	38,877,120	24,844,197
Gearing ratio	*	*	*	*

* Gearing ratio not applicable to the Group and the Company as the cash and cash equivalents as at 31 December 2017 and 31 December 2016 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.

35. Significant and Subsequent Events

(i) Significant event

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

35. Significant and Subsequent Events (Cont'd)

(i) Significant event (Cont'd)

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

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

The Proposal are subject to the following approvals being obtained:

(i) the shareholders of AppAsia for the Proposed Listing at an extraordinary general meeting to be convened;
(ii) ASX; and
(iii) any other relevant authorities or parties, if required.

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

(ii) Subsequent event

On 29 January 2018, the total of 50,000 units of SIS have been exercised at an exercise price of RM0.183 each.

36. Material Litigation

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

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

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

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

(a) An order for the delivery up of the PoP Equipment as stated in the Statement of Claim and damage to be assessed;
(b) Alternatively, judgment in the sum of US$171,072 to be paid by Defendant;
(c) Damages for detention of the PoP Equipment as stated in the Statement of Claim;
(d) Alternatively, damages for conversion of the PoP Equipment as stated in the Statement of Claim;
(e) Interest on all sums found due and payable by the Defendant under Section 11 of the Civil Law Act, 1965 at the rate of 5% per annum from 19 August 2014 until full payment;
(f) Costs; and
(g) Such further and other relief as the Court deems fit and proper.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

36. Material Litigation (Cont'd)

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

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

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

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

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

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

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

Wherefore, EMSB counter claimed against Xconnect and Badaruddin as follows:

<u>Against Xconnect:</u>

(a) The sum of US$87,075;
(b) General Damages;
(c) Interest;
(d) Costs;
(e) Further or other relief as may be just.

<u>Against Badaruddin:</u>

(a) If Xconnect succeeds in its claim against EMSB, an Order that Badaruddin do indemnify EMSB against all losses suffered and that he pay directly to Xconnect all of the judgement sum, including interest and costs, which EMSB is ordered to pay to Xconnect;
(b) The sum of US$87,075;
(c) General Damages;
(d) Exemplary Damages;
(e) Interest;
(f) Costs; and
(g) Further or other relief as may be just.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

36. Material Litigation (Cont'd)

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

The Sessions Court had on 26 November 2014, granted the Company the Order directing Xconnect to deposit the sum of RM100,000 as security for costs with the Court within Thirty (30) days from 26 November 2014, failing which their claim can be struck out on the Company's application.

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

On 10 April 2015, the Company was informed that a consent order of settlement has been recorded on the 7 April 2015 where upon Xconnect had withdrawn all its claim against EMSB while the counter claim by EMSB against Xconnect had also been withdrawn, both with no order as to cost.

On 7 May 2015, the Company informed the Sessions Court of Kuala Lumpur to rule against the application of Badaruddin to strike out EMSB's counter claim and awarded cost to RM3,000 to be paid by Badaruddin to the EMSB.

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

The Sessions Court of Kuala Lumpur had allowed EMSB counterclaim against Badaruddin for the sum of USD87,075, being monies paid to XConnect and exemplary damages in the sum of RM25,000 for breach of his fiduciary duties and costs according to scale.

Badaruddin's appeal has been fixed for case management on 29 April 2016.

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

The bankruptcy proceedings has been fixed for case management on 28 February 2017 and the hearing has been fixed 22 March 2017, subsequently, the hearing of the Creditor's Petition at the Kuala Lumpur High Court has been postponed to 24 April 2017, 11 May 2017, 13 June 2017, 13 July 2017 and 27 July 2017.

On 28 July 2017, the Company was informed that Badaruddin has been adjudged a bankrupt by the Kuala Lumpur High Court on the petition of EMSB.

In view of the bankruptcy, the prospect of recovery of the judgment sum is rather bleak. As such the Group will await notification from the Department of Insolvency on whether there will be dividends declared in the future after the bankrupt's estate is fully received and administered. This process may take a long time, running into years.

37. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 December 2017 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 March 2018.

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 31.12.2017 RM	Date of last revaluation/ acquisition
1	Prima Square 13-1, Block I Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor	Office Lot	1,282	22 years	Freehold	228,000	5 December 1995
2	Prima Square 13-2, Block I Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor	Office Lot	1,487	22 years	Freehold	150,000	5 December 1995
3	Prima Square 13-3, Block I Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor	Office Lot	1,480	22 years	Freehold	150,000	5 December 1995
4	Prima Square 13-4, Block I Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor	Office Lot	1,480	22 years	Freehold	150,000	5 December 1995
5	Prima Square 13-5, Block I Dataran Prima, Jalan PJU 1/37, 47301 Petaling Jaya, Selangor	Office Lot	1,487	22 years	Freehold	150,000	5 December 1995
6	No. 101, 101A, 101B & 101C, Persiaran Pegaga, Taman Bayu Perdana, 41200 Klang, Selangor	Office Lot	1,496	22 years	Freehold	1,250,167	15 December 2015
7	No. 103, 103A, 103B & 103C, Persiaran Pegaga, Taman Bayu Perdana, 41200 Klang, Selangor	Office Lot	1,496	22 years	Freehold	1,152,000	15 September 2015

ANALYSIS OF SHAREHOLDINGS
AS AT 30 MARCH 2018

SHARE CAPITAL

Total Number of Issued Shares	: 345,249,800
Class of Shares	: Ordinary Shares
Voting Rights	: One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 MARCH 2018

Size of Holding	No. of shareholders	% of shareholders	No. of Shares	% of shares
1 – 99	16	0.80	269	0.00
100 - 1,000	261	13.09	100,550	0.03
1,001 - 10,000	636	31.90	4,446,681	1.29
10,001 - 100,000	837	41.98	32,673,200	9.46
100,001 - 17,262,489 *	242	12.14	257,879,400	74.69
17,262,490 AND ABOVE **	2	0.10	50,149,700	14.53
Total	**1,994**	**100.00**	**345,249,800**	**100.00**

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

SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE) AS AT 30 MARCH 2018

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Richmond Virginia Tobacco Sdn. Bhd.	30,000,000	8.69	-	-
2	Toh Hong Chye	30,369,800	8.80	42,000,000*	12.17*

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

DIRECTORS' INTERESTS IN SHARES AS AT 30 MARCH 2018

No.	Name of Director	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	-	-	12,000,000*	3.48*
2	Toh Hong Chye	30,369,800	8.80	42,000,000**	12.17**
3	Wong Ngai Peow	2,903,000	0.84	-	-
4	Low Kim Leng	1,000,000	0.29	-	-
5	Yong Mai Fang	7,100,000	2.06	30,000,000***	8.69***
6	Tiew Chee Ming	-	-	-	-

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

ANALYSIS OF SHAREHOLDINGS AS AT 30 MARCH 2018 (CONT'D)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 MARCH 2018)

No.	Name of Shareholders	No. of Shares	%
1	RHB Capital Nominees (Tempatan) Sdn. Bhd. For Richmond Virginia Tobacco Sdn. Bhd.	30,000,000	8.69
2	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Toh Hong Chye	20,149,700	5.84
3	Fong Poh Chee	15,500,000	4.49
4	Lee See Yang	15,500,000	4.49
5	Tengku Puteri Zainah Binti Tengku Eskandar	15,500,000	4.49
6	Mohd Nazifuddin Bin Mohd Najib	15,000,000	4.34
7	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Liaw Tze Shung @ Richard (E-KKU)	14,887,700	4.31
8	RHB Capital Nominees (Tempatan) Sdn. Bhd. For Tan Chin Hoong	14,500,000	4.20
9	Manjung Untung Sdn. Bhd.	12,000,000	3.48
10	RHB Nominees (Tempatan) Sdn. Bhd. For Toh Hong Chye	10,220,100	2.96
11	Tan Vin Shyan	10,000,000	2.90
12	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Rajinder Kaur A/P Piara Singh (Margin)	9,000,000	2.61
13	Yong Mai Fang	7,100,000	2.06
14	CIMB Islamic Nominees (Tempatan) Sdn. Bhd. CIMB Islamic Trustee Bhd for BIMB I Dividend Fund	5,850,000	1.69
15	Chen, Jui-Liang	4,099,400	1.19
16	Chiong Miaw Thuan	3,850,000	1.11
17	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Vincent Tan Seng Chye	3,420,000	0.99
18	RHB Nominees (Tempatan) Sdn. Bhd. For Ooi Hock Lai	3,250,000	0.94
19	Yap Ping Tiong	2,700,000	0.78
20	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ong King Seng	2,624,200	0.76
21	Wong Ngai Peow	2,500,000	0.72
22	RHB Capital Nominees (Tempatan) Sdn. Bhd. For Gemas Lestari Sdn Bhd	2,348,600	0.68
23	Ng King Kau	2,231,000	0.65
24	RHB Capital Nominees (Asing) Sdn. Bhd. Pledged Securities Account For Lim Hun Swee (CEB)	2,200,000	0.64
25	Toh Chee Seng	2,000,000	0.58
26	Chiam Siong Keng	1,958,100	0.57
27	Tan Kwang Kui	1,903,800	0.55
28	Tan Kok Sing	1,803,000	0.52
29	Thong Choi Wan	1,667,600	0.48
30	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Goh Beng De @ Gho Beng De (CCTS)	1,650,000	0.48
	Total	**235,413,200**	**68.19**

ANALYSIS OF WARRANTS HOLDINGS AS AT 30 MARCH 2018

Issued Size : 135,690,400 free detachable warrants issued pursuant to the Renounceable Rights Issue with Warrants exercise
Number of Warrants Holders : 897

DISTRIBUTION OF WARRANTS HOLDINGS AS AT 30 MARCH 2018

Size of Holding	No. of Warrants Holders	% of Warrants Holders	No. of Warrants Holdings	% of Warrants Holdings
1 – 99	3	0.33	100	0.00
100 - 1,000	18	2.01	12,800	0.01
1,001 - 10,000	144	16.05	1,092,200	0.80
10,001 - 100,000	488	54.40	22,735,800	16.76
100,001 - 6,784,519*	244	27.20	111,849,500	82.43
6,784,520 AND ABOVE **	0	0.00	0	0.00
Total	**897**	**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 30 MARCH 2018

No.	Name of Directors	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	-	-	-	-
2	Toh Hong Chye	-	-	-	-
3	Wong Ngai Peow	1,500	0.001	-	-
4	Low Kim Leng	-	-	-	-
5	Yong Mai Fang	-	-	-	-
6	Tiew Chee Ming	-	-	-	-

LIST OF TOP 30 LARGEST WARRANTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 MARCH 2018)

No.	Name of Warrants Holders	No. of Warrants	%
1	Mohd Nazifuddin Bin Mohd Najib	6,000,000	4.42
2	Ooi Han Ewe	5,820,000	4.29
3	Chow JieChan	2,800,000	2.06
4	Centennial Creation Sdn. Bhd.	2,600,000	1.92
5	Lim Chee Seong	2,004,400	1.48
6	Tey Swee Guat	1,977,100	1.46
7	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Goh Beng De @ Gho Beng De (CCTS)	1,836,100	1.35
8	Foo Seck Yan	1,763,000	1.30

ANALYSIS OF WARRANTS HOLDINGS AS AT 30 MARCH 2018 (CONT'D)

LIST OF TOP 30 LARGEST WARRANTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 MARCH 2018) (Cont'd)

No.	Name of Warrants Holders	No. of Warrants	%
9	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Vincent Tan Seng Chye	1,710,000	1.26
10	Tan Kok Sing	1,700,000	1.25
11	Tan Chye Lai	1,643,500	1.21
12	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Cheah Song Kang @ Chiah Jee Ba (CEB)	1,620,000	1.19
13	Yap Yoon Sing	1,534,200	1.13
14	Ng Thian Huat	1,496,000	1.10
15	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Tak Keong	1,419,500	1.05
16	Wong Tak keong	1,339,200	0.99
17	Lim Yau Chong	1,192,900	0.88
18	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lee Wat Yen @ Lui Wat Yen	1,150,000	0.85
19	Soo Tong Hui	1,100,000	0.81
20	Tie Pek Ha @ Tie Pik Ha	1,067,000	0.79
21	Keh Suk Lan	1,064,200	0.78
22	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Yap Ping Tiong (6000453)	1,060,000	0.78
23	Khor Jiunn Yih	1,027,000	0.76
24	Chee Chin Seng	1,000,000	0.74
25	Choo Wai Kit	1,000,000	0.74
26	Lee Boon Kiat @ Lee Ban Kiat	972,000	0.72
27	Ng Oi Lean	957,200	0.71
28	Tiew Siow Ling	900,000	0.66
29	Lim Hung Thiam	870,000	0.64
30	Leow Kah Ling	855,000	0.63
	Total	**51,478,300**	**37.94**

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth (14th) Annual General Meeting of AppAsia Berhad ("AppAsia" or "the Company") will be held at Gallery 1, Level 1 Concorde Hotel Kuala Lumpur, No 2 Jalan Sultan Ismail, 50200 Kuala Lumpur on Friday, 1 June 2018 at 11.30 a.m. or at any adjournment thereof to transact the following business:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note A of the Explanatory Notes on Ordinary Business)**

2. To approve the payment of Directors' fees and other benefits payable up to RM650,000.00 to Directors of the Company from 1 January 2018 until the conclusion of the next Annual General Meeting of the Company. **Resolution 1**

3. To re-elect the following Directors who are retire by rotation in accordance with Article 84 of the Articles of Association of the Company: -

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

4. To re-elect the following Directors who are retiring in accordance with Article 90 of the Articles of Association of the Company: -

   i) Yong Mai Fang **Resolution 4**
   ii) Tiew Chee Ming **Resolution 5**

5. To re-appoint Messrs. UHY as the Company's Auditors and to authorize the Directors to fix their remuneration. **Resolution 6**

As Special Business:

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

6. **Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016** **Resolution 7**

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time 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 issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING (CONT'D)

7. **Proposed New Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature** **Resolution 8**

"THAT, subject to the provisions of the Ace Market Listing Requirements of Bursa , approval be and is hereby given for the Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") for the Company and/or its subsidiary companies ("the Group") to enter into and to give effect to the category of Recurrent Related Party Transactions of a Revenue or Trading Nature from time to time with the Related Party as specified in the Circular to Shareholders dated 30 April 2018 ("the Related Parties") provided that such transactions are:-

a) recurrent transactions of a revenue or trading nature;
b) necessary for the day-to-day operations;
c) undertaken in the ordinary course of business and 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; and
d) are not prejudicial to the minority shareholders of the Company.

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

a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which this resolution was passed at which time such approval shall lapse unless by ordinary resolution passed at a general meeting, the approval is renewed, either unconditionally or subject to conditions;
b) the expiration of the period within which the next AGM after that date is required by law to be held; or
c) revoked or varied by ordinary resolution of the Shareholders of the Company at a general meeting;

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary in the best interest of the Company to give effect to the transactions contemplated and/or authorised by this resolution."

8. **Proposed Renewal of Share Buy-Back Authority for the Purchase of Its Own Ordinary Shares** **Resolution 9**

"THAT subject to the compliance with Section 127 of the Companies Act 2016 and all other applicable laws, rules and regulations, approval be and is hereby given to the Company, to purchase such amount of ordinary shares each in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased and held pursuant to this resolution does not exceed 10% of the existing total number of issued shares in the ordinary share capital of the Company including the shares previously purchased and retained as Treasury Shares (if any) and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, upon such terms and conditions as set out in the Statement to Shareholders dated 30 April 2018.

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING (CONT'D)

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

10. **Proposed Adoption of the New Constitution of the Company** **Special Resolution 1**

"THAT approval be and is hereby given to alter or amend the whole of the existing Constitution of the Company by the replacement thereof with a new Constitution of the Company as set out in the Circular to Shareholders dated 30 April 2018 with immediate effect AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

11. 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)
Chong Voon Wah (MAICSA 7055003)
Company Secretaries

Kuala Lumpur
30 April 2018

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

1. A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead and that where a member appoints two (2) 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.

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING (CONT'D)

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

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

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

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

6. The instrument appointing a proxy must be deposited at Boardroom Corporate Services (KL) Sdn Bhd, Share Registrar office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding the meeting, i.e. on or before 11.30 a.m., Tuesday, 29 May 2018 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 25 May 2018. 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 14th AGM will be put to vote by way of poll.

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 Business - Ordinary Resolution 7
Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution 7, if passed, will renew the authority to empower the Director of the Company to issue and allot shares of the Company up to and not exceeding in total 10% of the issued share capital of the Company from time to time and for such purposes as they consider would be in the best interest of the Company ("Renewed Mandate"). The Renewed Mandate will unless revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

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

As at the date of this Notice, the Company issued 31,381,000 new ordinary shares at issue price of

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING (CONT'D)

RM0.3312 per share by way of private placement pursuant to the General Mandate granted to the Directors at the 13th Annual General Meeting held on 19 May 2017 and which will lapse at the conclusion of the 14th AGM.

(Please refer to page 40 of the Annual Report 2017- Additional Compliance Information in respect of the total proceeds raised from previous mandate and the details and status of the utilisation of proceeds.)

3. **Special Business - Ordinary Resolution 8**
   Proposed New Shareholders' Mandate for Recurrent Related Party Transactions Of A Revenue Or Trading Nature

   This proposed Ordinary Resolution 8, if passed, will allow the Company and/or its subsidiaries to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature in the ordinary course of its business as set out in the Circular to Shareholders dated 30 April 2018 with the Related Parties mentioned therein which are necessary for the Group's day-to-day operations. The shareholders' mandate is subject to renewal on an annual basis.

4. **Special Business - Ordinary Resolution 9**
   Proposed Renewal of Share Buy-Back Authority for the Purchase of Its Own Ordinary Shares

   This proposed Ordinary Resolution 9, 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.

5. **Special Business - Special Resolution 1**
   Proposed Adoption of the New Constitution of the Company

   The proposed Adoption of the New Constitution of the Company are made mainly for the purpose to streamline and be aligned with the Companies Act, 2016 which came into force on 31 January 2017. It is also to provide clarity to certain provisions of the new Constitution, ensure consistency in cross references as well as use of defined terms and to correct typographical error, if any.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

Pursuant to Article 90 of the Company's Articles of Association, the following Directors are standing for re-election at the Fourteenth Annual General Meeting of the Company:-

(i) Yong Mai Fang
(ii) Tiew Chee Ming

Details of the abovenamed Directors are set out on pages 6 to 8 of this Annual Report while their shareholdings in the Company are set out on page 45 of this Annual Report.

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

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

PROXY FORM

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

of ____
(Full address)

____

being a *Member/Members of **APPASIA BERHAD** (Company No. 643683-U) hereby appoint (Proxy 1)
____________________________________ (*NRIC No./Passport No. _____________________) of
____ and/or* failing him/her* (Proxy 2)
____________________________________ (*NRIC No./Passport No. _____________________) of
______________________________ and/or* failing him/her *, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Fourteenth (14th) Annual General Meeting to be held at Gallery 1, Level 1 Concorde Hotel Kuala Lumpur, No 2 Jalan Sultan Ismail, 50200 Kuala Lumpur on Friday, 1 June 2018 at 11.30 a.m. or at any adjournment thereof to vote as indicated below:-

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

Proxy 1 - ______________% 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 RM 650,000.00 to Directors of the Company from 1 January 2018 until the conclusion of the next Annual General Meeting of the Company.	Ordinary Resolution 1		
2.	To re-elect Datuk Wira Rahadian Mahmud Bin Mohammad Khalil as Director	Ordinary Resolution 2		
3.	To re-elect Wong Ngai Peow as Director	Ordinary Resolution 3		
4.	To re-elect Yong Mai Fang as Director	Ordinary Resolution 4		
5.	To re-elect Tiew Chee Ming as Director	Ordinary Resolution 5		
6.	To re-appoint Messrs. UHY as Auditors of the Company and to authorise the Directors to fix their remuneration	Ordinary Resolution 6		
7.	**As Special Business :** Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016	Ordinary Resolution 7		
8.	Proposed New Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature	Ordinary Resolution 8		
9.	Proposed Renewal of Share Buy-Back Authority for the Purchase of Its Own Ordinary Shares	Ordinary Resolution 9		
10.	Proposed Adoption of the New Constitution of the Company	Special Resolution 1		

Signed on this __________ day of ____________ 2018.

____
Signature of Shareholder or Common Seal

Notes:

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6. The instrument appointing a proxy must be deposited at Boardroom Corporate Services (KL) Sdn Bhd, Share Registrar office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding the meeting, i.e. on or before 11.30 a.m., Tuesday, 29 May 2018 or at any adjournment thereof.

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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 14th AGM will be put to vote by way of poll.

Please fold here

Affix
Stamp

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

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

Please fold here

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- For Both Exterior & Interior Use
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SERSOL

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81800 Ulu Tiram, Johor. Malaysia.
Tel : 07-861 1112/3 Fax : 07-863 3116 / 8619261
E-mail : msjb@multisquare.com Website : www.sersol.com.my

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1-40-1, Berjaya Central Park, 105, Jalan Ampang,
Kuala Lumpur, 50450 Kuala Lumpur
Tel: +603-2181 3553

AppAsia®
(Company No. 643683-U)
Listed in Bursa Malaysia, ACE Market (Code no.0119)

1-40-1, Menara Bangkok Bank, Berjaya Central Park,
No.105, Jalan Ampang 50450 Kuala Lumpur,
Tel : +603-2181 3666 Fax : +603-2181 6688
Email : info@appasia.com