THIS ABRIDGED PROSPECTUS ("AP") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY. If you have sold or transferred all your shares in AppAsia Berhad *(formerly known as Extol MSC Berhad)* ("**AppAsia**" or the "**Company**"), you should immediately hand this AP together with the Notice of Provisional Allotment ("**NPA**") and Rights Subscription Form ("**RSF**") (collectively referred to as "**Documents**") to the purchaser or transferee or agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. You should address all enquiries concerning the Rights Issue of Shares with Warrants (as defined herein) to our share registrar, Boardroom Corporate Services (KL) Sdn Bhd ("**Share Registrar**") at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

The Documents are only despatched to our shareholders ("**Entitled Shareholders**") (other than an authorised nominee who has subscribed for Nominee Rights Subscription service ("**NRS**")) whose names appear in our Record of Depositors as at 5.00 p.m. on 3 December 2014 ("**Entitlement Date**") at their registered addresses in Malaysia. If you are an authorised nominee who has subscribed for NRS with Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**"), an electronic copy of this AP and the Rights Issue Entitlement File will be transmitted to you electronically by Bursa Depository through its existing network facility with the Authorised Nominee (as defined herein). The Documents are not intended to be (and will not be) issued, circulated or distributed in any countries or jurisdictions other than Malaysia. No action has been or will be taken to ensure that the Rights Issue of Shares with Warrants or the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue of Shares with Warrants in any jurisdiction other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of the Entitled Shareholders and/or their renouncees/transferees (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional adviser as to whether their acceptance or renunciation (as the case may be) of his/her entitlement to the Rights Issue of Shares with Warrants would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renouncees/transferees (if applicable) should note the additional terms and restrictions as set out in Section 3 of this AP. Neither our Company nor TA Securities Holdings Berhad ("**TA Securities**") shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or sale/renunciation made by the Entitled Shareholders, and/or their renouncees/transferees (if applicable) is or shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholder and/or his renouncee/transferee (if applicable) is a resident.

A copy of this AP has been registered with the Securities Commission Malaysia ("**SC**"). The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue of Shares with Warrants or assumes responsibility for the correctness or any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this AP, together with the NPA and RSF, has also been lodged with the Registrar of Companies who takes no responsibility for the contents of these documents.

Our shareholders have approved the Rights Issue of Shares with Warrants at the Extraordinary General Meeting held on 15 November 2014. Bursa Malaysia Securities Berhad ("**Bursa Securities**") had vide its letter dated 30 September 2014 approved the admission of the Warrants (as defined herein) to the Official List of the ACE Market of Bursa Securities and the listing of and quotation for the Rights Shares (as defined herein), Warrants and the new AppAsia Shares (as defined herein) to be issued upon the exercise of the Warrants on the ACE Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue of Shares with Warrants. Admission of the Warrants to the Official List of the ACE Market of Bursa Securities and the listing of and quotation for the Rights Shares, Warrants and new AppAsia Shares to be issued upon exercise of the Warrants on the ACE Market of Bursa Securities are in no way reflective of the merits of the Rights Issue of Shares with Warrants. Neither Bursa Securities nor the SC takes any responsibility for the correctness of any statement made or opinions expressed in the Documents. The listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the Central Depository System accounts of the Entitled Shareholders and/or their renouncees/transferees (if applicable) have been duly credited and notices of allotment have been despatched to the Entitled Shareholders and/or their renouncees/transferees (if applicable).

Our Board of Directors ("**Board**") has seen and approved all the documentation relating to this Rights Issue of Shares with Warrants. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in these documents false or misleading.

TA Securities, being the Adviser for the Rights Issue of Shares with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of Shares with Warrants.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO "RISK FACTORS" AS SET OUT IN SECTION 6 HEREIN.

AppAsia

APPASIA BERHAD

(formerly known as Extol MSC Berhad)
(Company No. 643683-U)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 138,956,400 NEW ORDINARY SHARES OF RM0.10 EACH IN APPASIA ("APPASIA SHARES") ("RIGHTS SHARES") TOGETHER WITH UP TO 138,956,400 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) RIGHTS SHARE TOGETHER WITH ONE (1) WARRANT FOR EVERY ONE (1) EXISTING APPASIA SHARE HELD AS AT 5.00 P.M. ON 3 DECEMBER 2014 AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE

Adviser

TA SECURITIES
A MEMBER OF THE TA GROUP
TA SECURITIES HOLDINGS BERHAD (14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME		
Entitlement date	:	Wednesday, 3 December 2014 at 5.00 p.m.
Last date and time for:		
Sale of provisional allotment of Rights Shares with Warrants	:	Wednesday, 10 December 2014 at 5.00 p.m.
Transfer of provisional allotment of Rights Shares with Warrants	:	Monday, 15 December 2014 at 4.00 p.m.
Acceptance and payment	:	Thursday, 18 December 2014 at 5.00 p.m.*
Excess application and payment	:	Thursday, 18 December 2014 at 5.00 p.m.*

* or such later date and time as our Board may decide at its absolute discretion and announce not less than two (2) market days before the stipulated date and time

This Abridged Prospectus is dated 3 December 2014

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE WARRANTS TO THE OFFICIAL LIST OF THE ACE MARKET OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR THE RIGHTS SHARES, WARRANTS AND THE NEW SHARES TO BE ISSUED PURSUANT TO THE EXERCISE OF THE WARRANTS ON THE ACE MARKET OF BURSA SECURITIES AND THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE OF SHARES WITH WARRANTS.

THE SC AND BURSA SECURITIES ARE NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

WE AND OUR ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THIS AP.

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this AP and the accompanying appendices:

"3G"	:	Third (3rd)-generation
"4G"	:	Fourth (4th)-generation
"5D-VWAP"	:	Five (5)-day volume weighted average market price
"Act"	:	Companies Act, 1965 as amended, modified or re-enacted from time to time
"Announcement"	:	The announcement of, amongst others, the SIS and Rights Issue of Shares with Warrants dated 11 September 2014
"AP"	:	This Abridged Prospectus issued by our Company dated 3 December 2014
"AppAsia" or "Company"	:	AppAsia Berhad *(formerly known as Extol MSC Berhad)*
"AppAsia Group" or "Group"	:	AppAsia and our subsidiaries, collectively
"AppAsia Shares" or "Shares"	:	Ordinary shares of RM0.10 each in our Company
"ATM"	:	Automated teller machine within Malaysia
"Authorised Nominee"	:	A person who is authorised to act as a nominee as defined under the Rules of Bursa Depository
"Board"	:	Our Board of Directors
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"CAGR"	:	Compound annual growth rate
"CDS"	:	Central Depository System
"CNII"	:	Critical National Information Infrastructure
"Code"	:	Malaysian Code on Take-Overs and Mergers, 2010, as amended, modified or re-enacted from time to time
"Deed Poll"	:	The document constituting the Warrants dated 19 November 2014
"Director"	:	A natural person who holds a directorship in our Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 4 of the Act and Section 2(1) of the Capital Markets and Services Act 2007
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"ECSB"	:	Extol Corporation Sdn Bhd *(formerly known as Extol Corporation (M) Sdn Bhd)*
"EGM"	:	Extraordinary general meeting of our Company held on 15 November 2014
"EISB"	:	Extol International Sdn Bhd *(formerly known as Innodium Sdn Bhd)*

"Electronic Application"	:	Application for the Rights Shares with Warrants through the ATMs of Participating Financial Institution
"Entitled Shareholders"	:	Our shareholders whose names appear in our Company's Record of Depositors on the Entitlement Date
"Entitlement Date"	:	3 December 2014 at 5.00 p.m. being the date and time on which our shareholders must be registered on the Record of Depositors in order to be entitled to the Rights Issue of Shares with Warrants
"EPS"	:	Earnings per AppAsia Share
"EVSB"	:	Extol Ventures Sdn Bhd
"FPE"	:	Fifteen (15)-month financial period ending
"FYE"	:	Financial year ended
"GDP"	:	Gross domestic product
"GP"	:	Gross profit
"ICT"	:	Information and communications technology
"IT"	:	Information technology
"Internet Application"	:	Application for the Rights Shares with Warrants within Malaysia through an Internet Participating Financial Institution
"Internet Participating Financial Institution"	:	Participating financial institution for the Internet Applications as referred to in Section 3.5.3 of this AP
"Issue Price"	:	The issue price pursuant to the Rights Issue of Shares with Warrants of RM0.10 per Rights Share
"LAT"	:	Loss after taxation
"LBITDA"	:	Losses before interest, taxation, depreciation and amortisation
"LBT"	:	Loss before taxation
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities, including any amendments, modifications and additions thereto
"LPD"	:	12 November 2014, being the latest practicable date prior to the registration of this AP
"LPS"	:	Loss per AppAsia Share
"LTE"	:	Long-Term Evolution
"Market Day"	:	A day which Bursa Securities is open for the trading of securities
"Maximum Scenario"	:	Assuming all the Entitled Shareholders fully subscribe for their entitlements of the Rights Shares with Warrants
"MCMC"	:	Malaysian Communications and Multimedia Commission
"MFA Agreement"	:	Malaysian Federation Agreement
"MIE Agreement"	:	Malaysian Interconnection Exchange

DEFINITIONS (*CONT'D*)

"Minimum Scenario"	:	Assuming only the Undertaking Shareholder subscribes for its entitlement of the Rights Shares with Warrants
"Minimum Subscription Level"	:	Minimum level of subscription of 26,000,000 Rights Shares together with 26,000,000 Warrants pursuant to the Undertaking
"MIS"	:	Managed Infrastructure Service
"Mobile 2FA"	:	Mobile Two (2)-Factor Authentication
"MSC"	:	Multimedia Super Corridor
"MSS"	:	Managed Security Services
"NA"	:	Net assets
"NPA"	:	Notice of Provisional Allotment in relation to the Rights Issue of Shares with Warrants
"NRS"	:	Nominee Rights Subscription service offered by Bursa Depository, at the request of our Company, to Authorised Nominees for electronic subscription of Rights Shares with Warrants through Bursa Depository's existing network facility with the Authorised Nominees
"NTA"	:	Net tangible assets
"Participating Financial Institution"	:	Participating financial institution for Electronic Applications as referred to in Section 3.5.2 of this AP
"PAT"	:	Profit after taxation
"Private Placement"	:	Private placement of 12,632,400 new AppAsia Shares which was completed on 28 January 2014
"PBT"	:	Profit before taxation
"Price Fixing Date"	:	19 November 2014, being the date on which the Issue Price of the Rights Shares were determined and announced
"R&D"	:	Research and development
"Record of Depositors"	:	A record of securities holders provided by Bursa Depository under the Rules of Bursa Depository
"Rights Issue Entitlement File"	:	An electronic file forwarded by Bursa Depository to an Authorised Nominee who has subscribed for NRS, containing information of such Authorised Nominee's entitlements under the Rights Issue of Shares with Warrants as at the Entitlement Date, at an issue price of RM0.10 per Rights Share
"Rights Issue of Shares with Warrants"	:	Renounceable rights issue of up to 138,956,400 Rights Shares together with up to 138,956,400 Warrants on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) existing AppAsia Share held at the Entitlement Date
"Rights Shares"	:	Up to 138,956,400 new AppAsia Shares to be issued pursuant to the Rights Issue of Shares with Warrants
"Rights Shares Subscription File"	:	An electronic file submitted by an Authorised Nominee who has subscribed for NRS, to Bursa Depository containing information pertaining to such Authorised Nominee's subscription of the Rights Shares with Warrants
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively

DEFINITIONS (*CONT'D*)

"RSF"	:	Rights Subscription Form in relation to the Rights Issue of Shares with Warrants
"Rules of Bursa Depository"	:	Rules of Bursa Depository including the rules in relation to a central depository as described in Section 2 of the SICDA
"SC"	:	Securities Commission Malaysia
"Share Registrar"	:	Boardroom Corporate Services (KL) Sdn Bhd
"SICDA"	:	Securities Industry (Central Depositories) Act, 1991
"SIS"	:	Share issuance scheme of up to thirty percent (30%) of the issued and paid-up share capital of our Company (excluding treasury shares, if any) at any one (1) time during the duration of the scheme for the eligible Directors and employees of our Group (excluding dormant subsidiaries), which was approved by our shareholders at the EGM
"SISB"	:	Swift Icon Sdn Bhd
"SOC"	:	Security operation centre
"TA Securities"	:	TA Securities Holdings Berhad
"TEAP"	:	Theoretical ex-all price of AppAsia Shares
"TERP"	:	Theoretical ex-rights price of AppAsia Shares
"TG Agas"	:	TG Agas Technology Sdn Bhd
"US"	:	United States
"USD"	:	United States Dollar
"Undertaking"	:	Irrevocable and unconditional written undertaking dated 11 September 2014 from SISB that it will not dispose any of its AppAsia Shares following the Announcement up to the completion of the Rights Issue of Shares with Warrants and that it will subscribe in full for its entitlement of Rights Shares with Warrants pursuant to the Rights Issue of Shares with Warrants
"Warrants"	:	Up to 138,956,400 free detachable warrants to be issued pursuant to the Rights Issue of Shares with Warrants
"WiFi"	:	A local area wireless technology that allows an electronic device to exchange data or connect to the internet
"Xconnect"	:	Xconnect Global Networks Limited

All references to "**our Company**" and/or "**AppAsia**" in this AP are to AppAsia Berhad. References to "**our Group**" and/or "**AppAsia Group**" are to AppAsia and our subsidiaries and references to "**we**", "**us**" "**our**" and "**ourselves**" are to AppAsia and where the context does require, shall include our subsidiaries.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this AP shall be reference to Malaysian time, unless otherwise specified.

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APPENDICES

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Age	Nationality	Profession
Dato' Rahadian Mahmud Bin Mohammad Khalil *(Independent Non-Executive Chairman)*	2-2, Jalan PJU 7/16 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan	41	Malaysian	Company Director
Toh Hong Chye *(Executive Director)*	37B, Lorong Bunga Matahari 1B, Taman Maju Jaya 56100 Kuala Lumpur	39	Malaysian	Company Director
Wong Ngai Peow *(Executive Director)*	12, Jalan LE 3/2 Lake Edge 47100 Puchong Selangor Darul Ehsan	39	Malaysian	Company Director
Dato' Lai Wen Shian *(Non-Independent Non-Executive Director)*	36, Lorong Baru Nilam 21H, Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan	36	Malaysian	Company Director
Low Kim Leng *(Non-Independent Non-Executive Director)*	84, Jalan BU 10/6 Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan	52	Malaysian	Advocate and Solicitor
Tan Fie Jen *(Independent Non-Executive Director)*	174, Jalan Pesona 1 Taman Pelangi Indah 81800 Ulu Tiram Johor Darul Takzim	48	Malaysian	Company Director
Ng Kok Wah *(Independent Non-Executive Director)*	25, Jalan SG 9/11 Taman Seri Gombak 68100 Batu Caves Selangor Darul Ehsan	36	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Dato' Rahadian Mahmud Bin Mohammad Khalil	Chairman	Independent Non-Executive Chairman
Tan Fie Jen	Member	Independent Non-Executive Director
Ng Kok Wah	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (*CONT'D*)

COMPANY SECRETARIES	:	Tan Tong Lang (MAICSA 7045482) Chong Voon Wah (MAICSA 7055003) Suite 10.03, Level 10, The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel. no. : 03-2279 3080 Fax. no. : 03-2279 3090
REGISTERED OFFICE	:	Suite 10.03, Level 10, The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel. no. : 03-2279 3080 Fax. no. : 03-2279 3090
HEAD/MANAGEMENT OFFICE/ PRINCIPAL PLACE OF BUSINESS	:	E-10-4, Megan Avenue 1 Jalan Tun Razak 50400 Kuala Lumpur Tel. no. : 03-2161 3211 / 03-2164 3211 Fax. no. : 03-2162 3211 Website : www.extolcorp.com E-mail address : info@extolcorp.com
SHARE REGISTRAR	:	Boardroom Corporate Services (KL) Sdn Bhd Lot 6.05, Level 6, KPMG Tower 8 First Avenue, Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel. no. : 03-7720 1188 Fax. no. : 03-7720 1111
AUDITORS FOR THE FYE 30 SEPTEMBER 2013	:	Messrs. CAS & Associates Chartered Accountants B-5-1, IOI Boulevard Jalan Kenari 5 Bandar Puchong Jaya 47170 Puchong Selangor Darul Ehsan Tel. no. : 03-8075 2300 Fax. no. : 03-8082 6611
AUDITORS AND REPORTING ACCOUNTANTS	:	Messrs. UHY Suite 11.05, Level 11 The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel. no. : 03-2279 3088 Fax. no. : 03-2279 3099

CORPORATE DIRECTORY (*CONT'D*)

SOLICITORS FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS	:	Messrs. Lee, Perara & Tan Advocates and Solicitors No. 55, Jalan Thambypillai Off Jalan Tun Sambanthan Brickfields 50470 Kuala Lumpur Tel. no. : 03-2273 4307 Fax. no. : 03-2273 5176
INDEPENDENT MARKET RESEARCHER	:	Smith Zander International Sdn Bhd Level 23, Premier Suite, One Mont' Kiara 1 Jalan Kiara, Mont' Kiara 50480 Kuala Lumpur Tel. no. : 03-2785 6822 Fax. no. : 03-2785 6922
PRINCIPAL BANKER	:	CIMB Bank Berhad 17th Floor, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Tel. no. : 03-2261 8888 Fax. no. : 03-2261 8889
ADVISER FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS	:	TA Securities Holdings Berhad 32nd Floor, Menara TA One 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel. no. : 03-2072 1277 Fax. no. : 03-2026 0127
STOCK EXCHANGE LISTING	:	ACE Market of Bursa Securities

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Company No. 643683-U

APPASIA BERHAD
(formerly known as Extol MSC Berhad)
(Company No. 643683-U)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

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

3 December 2014

Our Board of Directors:

Dato' Rahadian Mahmud Bin Mohammad Khalil *(Independent Non-Executive Chairman)*
Toh Hong Chye *(Executive Director)*
Wong Ngai Peow *(Executive Director)*
Dato' Lai Wen Shian *(Non-Independent Non-Executive Director)*
Low Kim Leng *(Non-Independent Non-Executive Director)*
Tan Fie Jen *(Independent Non-Executive Director)*
Ng Kok Wah *(Independent Non-Executive Director)*

To: Our Entitled Shareholders

Dear Sir/Madam,

RIGHTS ISSUE OF SHARES WITH WARRANTS

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1. INTRODUCTION

Our shareholders had, at the EGM held on 15 November 2014 approved the Rights Issue of Shares with Warrants.

A certified true extract of the ordinary resolution in relation to the Rights Issue of Shares with Warrants passed at the EGM is set out in Appendix I of this AP.

Bursa Securities has vide its letter dated 30 September 2014 approved the following:

(i) listing of and quotation for the Rights Shares;

(ii) admission to the Official List of ACE Market of Bursa Securities and the listing of and quotation for the Warrants; and

(iii) listing of and quotation for the new AppAsia Shares to be issued pursuant to the exercise of the Warrants,

on the ACE Market of Bursa Securities.

The approval of Bursa Securities is subject to the following conditions:

	Conditions imposed	**Status of compliance**
(i)	Our Company and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue of Shares with Warrants;	To be complied
(ii)	Our Company and TA Securities to inform Bursa Securities upon the completion of the Rights Issue of Shares with Warrants;	To be complied
(iii)	Our Company to furnish Bursa Securities with a written confirmation of our compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue of Shares with Warrants is completed; and	To be complied
(iv)	Our Company is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed (pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable).	To be complied

On 19 November 2014, TA Securities had on our behalf announced that our Board has fixed the issue price of the Rights Shares at RM0.10 per Rights Share and the exercise price of the Warrants of RM0.13 per Warrant.

On 19 November 2014, TA Securities had on our behalf announced that the Entitlement Date has been fixed on 3 December 2014 at 5.00 p.m. and the other relevant dates pertaining to the Rights Issue of Shares with Warrants.

No person is authorised to give any information or to make any representation not contained in this AP in connection with the Rights Issue of Shares with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or by TA Securities in connection with the Rights Issue of Shares with Warrants.

If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

2. DETAILS OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS

The Rights Issue of Shares with Warrants entails the issuance of up to 138,956,400 Rights Shares together with up to 138,956,400 Warrants on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) existing AppAsia Share held by the Entitled Shareholders at an issue price of RM0.10 per Rights Share.

The Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renouncees/transferees (if applicable). It is the intention of our Board to allocate the excess Rights Shares in a fair and equitable basis specified under Section 3.9 herein. The entitlements for the Rights Shares with Warrants are renounceable in full or in part. The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded. The renunciation of Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights Shares pursuant to the Rights Issue of Shares with Warrants. However, if the Entitled Shareholders decide to accept only part of their Rights Shares entitlements, they shall be entitled to the Warrants in the proportion of their Rights Shares entitlements. Any unsubscribed Rights Shares with the attached Warrants shall be offered to other Entitled Shareholders and/or their renouncees/transferees (if applicable) under the excess Rights Shares with Warrants application.

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisional allotted Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue of Shares with Warrants. You (other than an Authorised Nominee who has subscribed for NRS) will find enclosed with this AP, the NPA notifying you of the crediting of such provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the provisional Rights Shares with Warrants, as well as to apply for the excess Rights Shares with Warrants if you choose to.

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository, an electronic copy of this AP and the Rights Issue Entitlement File will be transmitted to you electronically by Bursa Depository through its existing network facility with the Authorised Nominees. Please refer to Sections 3.5.4 and 3.8.4 of this AP for the procedures for acceptance as well as to apply for excess Rights Shares with Warrants, if you choose to do so.

Any dealing in our securities will be subject to the SICDA and the Rules of Bursa Depository. Accordingly, the Rights Shares with Warrants and new Shares to be issued arising from the exercise of the Warrants will be credited directly to the respective CDS Accounts of the successful applicants and exercising Warrant holders (as the case may be). No physical share certificates and warrant certificates will be issued to the Entitled Shareholders and/or their renouncees/transferees, if applicable. A notice of allotment will be despatched to the successful applicants within eight (8) Market Days from the last date of acceptance and payment for the Rights Issue of Shares with Warrants and a notice of allotment will be despatched to the exercising Warrant holders within eight (8) Market Days after the date of receipt of the subscription form together with the requisite payment (for exercise of Warrants) from the date of exercise of the Warrants.

2.1 Basis of determining the Issue Price of the Rights Shares and exercise price of the Warrants

(i) Rights Shares

Our Board had on 19 November 2014 fixed the issue price for the Rights Shares at RM0.10 per Rights Share after taking into consideration the following:

(a) the TEAP of AppAsia Shares of RM0.1879 based on the 5D-VWAP of AppAsia Shares up to and including 18 November 2014 (being the last trading date immediately preceding the Price Fixing Date) of RM0.3336 and the exercise price of Warrants of RM0.13;

(b) a discount to the TEAP of AppAsia Shares of RM0.0879 or 46.78%;

(c) the prevailing market sentiments;

(d) the par value of AppAsia Shares of RM0.10 each; and

(e) the funding requirements of our Group, details of which are set out in Section 5 of this AP.

(ii) Warrants

The Warrants will be issued at no cost to the Entitled Shareholders who successfully subscribed for the Rights Shares, and are exercisable into new AppAsia Shares. Each Warrant will entitle its holder to subscribe for one (1) AppAsia Share at the exercise price of RM0.13 per Warrant.

The exercise price of the Warrants at RM0.13 per Warrant is determined and fixed by our Board on 19 November 2014 after taking into consideration the following:

(a) the TERP of AppAsia Shares of RM0.2168 based on 5D-VWAP of AppAsia Shares up to and inclusive of 18 November 2014 of RM0.3336;

(b) a discount to the TERP of AppAsia Shares of RM0.0868 or 40.04%;

(c) the prevailing market sentiments; and

(d) the par value of AppAsia Shares of RM0.10 each.

2.2 Ranking of the Rights Shares and the new AppAsia Shares arising from the exercise of the Warrants

The holders of the Warrants will not be entitled to any voting right or participation in any form of distribution and/or offer of further securities in our Company until and unless such holders of the Warrants exercise their Warrants into new AppAsia Shares.

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

2.3 Salient terms of the Warrants

The salient terms of the Warrants are as follows:

Terms		**Details**
Issue size	:	Up to 138,956,400 Warrants.
Form and denomination	:	The Warrants which are free will be issued in registered form and will be constituted by the Deed Poll.
Exercise period	:	The Warrants may be exercised at any time within ten (10) years commencing on and including the date of issuance of the Warrants until 5.00 p.m. on the expiry date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.
Exercise price	:	The exercise price of the Warrants has been fixed at RM0.13 each, subject to adjustments in accordance with the provisions of the Deed Poll.
Expiry date	:	The day falling ten (10) years from and including the date of issue of the Warrants, provided that if such day falls on a day which is not a market day, then on the preceding market day.
Exercise rights	:	Each Warrant entitles the registered holder to subscribe for one (1) new AppAsia Share at any time during the exercise period at the exercise price (subject to adjustments in accordance with the provisions of the Deed Poll).
Mode of exercise	:	The registered holder of the Warrants is required to lodge an exercise form, as set out in the Deed Poll, with our Company's registrar, duly completed, signed and stamped together with payment of the exercise price for the new AppAsia Shares subscribed for by banker's draft or cashier's order or money order or postal order in Ringgit Malaysia drawn on a bank or post office operating in Malaysia.

Board lot	: For the purpose of trading on Bursa Securities, one (1) board lot of Warrant shall comprise one hundred (100) Warrants carrying the right to subscribe for one hundred (100) new AppAsia Shares at any time during the exercise period, or such other denomination as determined by Bursa Securities from time to time.
Adjustments in the exercise price and/or number of the Warrants	: The exercise price and/or number of unexercised Warrants shall be adjusted in the event of alteration to the share capital by reason of any issue of shares, consolidation, subdivision, conversion or capital distribution in accordance with the provisions of the Deed Poll.
Provision for changes in the terms of the Warrants	: Any modification to the Deed Poll (including the form and content of the global warrant certificate) may be effected only by deed poll, executed by our Company and expressed to be supplemental to the Deed Poll, and only if the requirement of Condition 7 of the Deed Poll has been complied with. Any of such modification shall however be subject to the approval of Bursa Securities (if so required respectively).
Rights of the Warrants	: The new AppAsia Shares arising from the exercise of the Warrant are not entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance of the new AppAsia Shares upon the exercise of the Warrants. The Warrant holders are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in our Company until and unless such Warrant holders exercise their Warrants into new AppAsia Shares.
Rights in the event of winding-up, liquidation, compromise and/or arrangement	: If a resolution is passed for a members' voluntary winding up of our Company or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one or more companies, then: (i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which our Company is the continuing corporation) to which the Warrant holder (or some person designated by them for such purpose by special resolution) shall be a party, the terms of such winding up, compromise and arrangement shall be binding on all the Warrant holders; and

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(ii) in any other case, every Warrant holder shall be entitled upon and subject to the conditions at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of our Company or the granting of the court order approving the compromise or arrangement (as the case may be), to exercise their Warrants by submitting the exercise form duly completed authorising the debiting of his Warrants together with payment of the relevant exercise price to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised the exercise rights to the extent specified in the exercise form(s) and had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly.

Listing status : The Warrants will be listed and traded on the ACE Market of Bursa Securities. Approval has been obtained from Bursa Securities for the admission of the Warrants to the Official List of the ACE Market of Bursa Securities and the listing of and quotation for the Warrants and the new AppAsia Shares to be issued pursuant to the exercise of the Warrants on the ACE Market of Bursa Securities.

Governing law : The laws of Malaysia.

2.4 Minimum subscription level and major shareholder's undertaking

The Rights Issue of Shares with Warrants will be implemented on a minimum level of subscription of 26,000,000 Rights Shares together with 26,000,000 Warrants. Based on the issue price of RM0.10 per Rights Share, our Company will raise minimum gross proceeds of RM2.60 million from the Rights Issue of Shares with Warrants.

The minimum gross proceeds of RM2.60 million to be raised were determined by our Board after taking into consideration, *inter-alia*, the funding requirements of our Group.

To meet the Minimum Subscription Level, our Company has obtained the Undertaking from the Undertaking Shareholder that it will not dispose any of its AppAsia Shares following the Announcement up to the completion of the Rights Issue of Shares with Warrants and that it will subscribe in full for its entitlement of the Rights Shares with Warrants.

Details of the Undertaking based on the Minimum Subscription Level are as follows:

	As at the LPD		**Rights Shares Entitlement**	
	No. of AppAsia Shares held	**%**	**No. of Rights Shares**	**%(1)**
Undertaking Shareholder				
SISB	26,000,000	18.71	26,000,000	18.71

Note:

(1) Percentage calculated based on 138,956,400 Rights Shares available for subscription under the Rights Issue of Shares with Warrants and the number of AppAsia Shares in issue as at the LPD.

The Undertaking Shareholder has confirmed that it has sufficient financial resources to subscribe for its entitlement as mentioned above pursuant to the Undertaking. As the Adviser for the Rights Issue of Shares with Warrants, TA Securities has verified that the Undertaking Shareholder has sufficient financial resources to fulfill its commitment pursuant to the Undertaking.

In view of the Undertaking and that the Rights Issue of Shares with Warrants will be implemented based on the Minimum Subscription Level, no underwriting arrangement will be made for the Rights Shares with Warrants under the Rights Issue of Shares with Warrants.

After taking into consideration of the Undertaking, the subscription of the Rights Shares by the Undertaking Shareholder will not give rise to any consequences of mandatory general offer obligation pursuant to the Code immediately after the Rights Issue of Shares with Warrants. However, should the Undertaking Shareholder exercises its Warrants, resulting in its shareholding in our Company increases to above thirty-three percent (33%), the Undertaking Shareholder will be obliged under Part III of the Code to undertake a mandatory general offer for all the remaining AppAsia Shares not already held by it after the exercise of the Warrants.

The Undertaking Shareholder does not intend to undertake a mandatory general offer to acquire all the remaining AppAsia Shares and convertible securities not already held by it after the exercise of the Warrants and has given confirmation to observe and comply at all times with the provisions of the Code.

2.5 Details of other corporate exercises

Save for the Rights Issue of Shares with Warrants and SIS, there is no outstanding corporate proposal which has been announced but pending completion as at the LPD.

3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS

3.1 General

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisional Rights Shares with Warrants which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue of Shares with Warrants. You (other than an Authorised Nominee who has subscribed for NRS) will find enclosed with this AP, the NPA notifying you of the crediting of such provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the provisional Rights Shares with Warrants, as well as to apply for excess Rights Shares with Warrants if you choose to do so.

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository, an electronic copy of this AP and the Rights Issue Entitlement File will be transmitted to you electronically by Bursa Depository through its existing network facility with the Authorised Nominees. Please refer to Sections 3.5.4 and 3.8.4 of this AP for the procedures for acceptance as well as to apply for excess Rights Shares with Warrants, if you choose to do so.

3.2 NPA

The provisional allotted Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the provisional Rights Shares with Warrants will be by book entries through the CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/or your renouncees/transferees (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

3.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the provisional Rights Shares with Warrants is at **5.00 p.m. on 18 December 2014**, or such extended date and time as our Board may decide at its absolute discretion. Where the closing date of the acceptance is extended from the original closing date, the announcement of such extension will be made not less than two (2) Market Days before the original closing date.

3.4 Methods of application

You may subscribe for such number of Rights Shares with Warrants that you have been provisionally allotted as well as to apply for excess Rights Shares with Warrants, if you so choose, using either of the following methods:

Method of application	Category of Entitled Shareholders
RSF(1)	All Entitled Shareholders
Electronic Application(2) or Internet Application(3)	All Entitled Shareholders
NRS	Authorised Nominee who has subscribed for NRS

Notes:

(1) A copy of the RSF is enclosed together with this AP. The RSF is also available on the website of Bursa Securities (http://www.bursamalaysia.com).

(2) The following surcharge per Electronic Application will be charged by the Participating Financial Institution:

- *Public Bank Berhad – RM4.00; and*

(3) The following processing fee per Internet Application will be charged by the respective Internet Participating Financial Institution:

- *Public Bank Berhad (http://www.pbebank.com) – RM4.00.*

3.5 Procedure for full acceptance and payment by Entitled Shareholders and acceptance by renouncees/transferees

3.5.1 By way of RSF

If you wish to accept your entitlement to the provisional Rights Shares with Warrants, the acceptance of and payment for the provisional Rights Shares with Warrants must be made on the respective RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this AP, the NPA or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

Renouncees/transferees who wish to accept the provisional Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers or our Share Registrar or at our Registered Office or from the Bursa Securities' website at http://www.bursamalaysia.com and complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders also applies to renouncees/transferees who wish to accept the provisional Rights Shares with Warrants.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES WITH WARRANTS, EXCESS APPLICATION FOR THE RIGHTS SHARES WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEES/TRANSFEREES (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

If you wish to accept your entitlement/acceptance, please complete parts I(A) and II of the RSF in accordance with the notes and instructions provided in the RSF. Thereafter, please send each completed and signed RSF together with the relevant payment by using the envelope provided (at your own risk) to our Share Registrar by **ORDINARY POST** or **DELIVERED BY HAND** at the following address:

Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

Tel. no.: 03-7720 1188
Fax. no.: 03-7720 1111

so as to arrive **not later than 5.00 p.m. on 18 December 2014**, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board.

One (1) RSF can only be used for acceptance of provisional Rights Shares with Warrants standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for separate CDS Account(s). If successful, the Rights Shares with Warrants subscribed for will be credited into your CDS Account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this AP. In order to facilitate the processing of the RSF by our Share Registrar for the Rights Shares with Warrants, you are advised to use one (1) reply envelope for each completed RSF.

You and/or your renouncees/transferees (if applicable) should take note that a trading board lot for the Rights Shares and Warrants comprises one hundred (100) Rights Shares and one hundred (100) Warrants, respectively. Successful applicants of the Rights Shares will be given the Warrants on the basis of one (1) Warrant for every one (1) Rights Share successfully subscribed for. The minimum number of security that can be subscribed for or accepted is one (1) Rights Share, which will be accompanied by one (1) Warrant. The minimum number of Warrant that can be issued and allotted with the accepted Rights Shares is one (1) Warrant.

If acceptance of and payment for the provisional Rights Shares with Warrants is not received by our Share Registrar by **5.00 p.m. on 18 December 2014**, being the last time and date for acceptance of and payment for the provisional Rights Shares with Warrants, or any other extended date and time as may be determined and announced by our Board, you will be deemed to have declined the provisional entitlement made to you and it will be cancelled. In the event that the Rights Shares with Warrants are not fully taken up by such applicants, our Board will then have the right to allot such Rights Shares with Warrants to the applicants who have applied for the excess Rights Shares with Warrants in the manner as set out in Section 3.8 of this AP. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar. Our Board reserves the right not to accept any application or to accept any application in part only without providing any reason.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website at http://www.bursamalaysia.com, our Share Registrar at the address stated above or our Registered Office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S)/ CASHIER'S ORDER(S)/ MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "APPASIA RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THEM OR THEIR RENOUNCEES/TRANSFEREES (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN ON BURSA DEPOSITORY'S RECORD OF DEPOSITORS AT THE APPLICANTS' OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

3.5.2 By way of Electronic Application

Please read carefully and follow the terms of this AP, the procedures, terms and conditions for Electronic Application and the procedures set out at the ATMs of the Participating Financial Institution before making an Electronic Application.

(i) Steps for Electronic Applications through a Participating Financial Institution's ATM within Malaysia

The procedures for Electronic Applications at the ATMs of the Participating Financial Institution are set out on the ATM screens of the relevant Participating Financial Institution ("**Steps**"). For illustration purposes, the procedures for Electronic Applications at ATMs are set out below. The Steps set out the actions that you must take at the ATM to complete an Electronic Application. Please read carefully the terms of this AP, the Steps and the Terms and Conditions for Electronic Applications set out below before making an Electronic Application.

(a) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institution cannot be used to apply for the Rights Share at an ATM belonging to other Participating Financial Institutions;

(b) You are advised to read and understand this AP **BEFORE** making the application; and

(c) You shall apply for the Rights Shares with Warrants via the ATM of the Participating Financial Institution by choosing the Electronic Application option. Mandatory statements required in the application are as set out in "**Terms and conditions for Electronic Applications**" (please refer to Section 3.5.2(iii) below). You shall enter at least the following information through the ATM when the instructions on the ATM screen requires you to do so:

- Personal Identification Number ("**PIN**");
- Select AppAsia Rights Issue;
- CDS Account number;
- Number of Rights Shares with Warrants applied for and/or the RM amount to be debited from the account;
- Current contact number (for e.g. your mobile phone number); and
- Confirmation of several mandatory statements.

Upon the completion of your Electronic Application transaction, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Application or any data relating to such an Electronic Application by the Company or the Share Registrar. The Transaction Record is for your record and is not required to be submitted with your application.

YOU MUST ENSURE THAT YOU USE THE NUMBER OF THE CDS ACCOUNT HELD IN YOUR NAME WHEN MAKING AN ELECTRONIC APPLICATION. IF YOU OPERATE A JOINT BANK ACCOUNT WITH ANY OF THE PARTICIPATING FINANCIAL INSTITUTION, YOU MUST ENSURE THAT YOU ENTER THE NUMBER OF THE CDS ACCOUNT HELD IN YOUR NAME WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE FOREGOING.

(ii) Participating Financial Institution

Electronic Applications may be made through an ATM of the following Participating Financial Institution and its branches within Malaysia:

- Public Bank Berhad

(iii) Terms and conditions of Electronic Applications

The Electronic Application shall be made on, and subject to, the terms of this AP, as well as the terms and conditions of the Participating Financial Institution and those appearing herein:

(a) You are required to confirm the following statements (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:

(i) You have attained 18 years of age as at the last day for application and payment;

(ii) You have read the relevant AP and understood and agreed with the terms and conditions of the application; and

(iii) You hereby give consent to our Company, Bursa Depository, our Share Registrar, the relevant Participating Financial Institution, their respective agents and any third party involved in facilitating the application/refund, to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to the relevant authorities and any person as may be necessary or expedient to facilitate the making of the application/refund.

Your application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institution. By doing so, you shall have confirmed each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 134 of the Financial Services Act, 2013 and Section 45(1)(a) of the SICDA, to the disclosures as described above.

(b) You confirm that you are not applying for the Rights Shares with Warrants as a nominee of any other person and that any Electronic Application that you make is made by you as the beneficial owner.

(c) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time you make your Electronic Application, failing which your Electronic Application will not be completed. Any Electronic Application, which does not strictly conform to the instructions set out on the screen of the ATM through which the Electronic Application is being made, will be rejected.

(d) You agree and undertake to subscribe for or purchase and to accept the number of Rights Shares applied for as stated on the Transaction Record in respect of your Electronic Application. Your confirmation (by your action of pressing the pre-designated keys (or buttons) on the ATM) of the number of Rights Shares with Warrants applied for shall signify, and shall be treated as, your acceptance of the number of Rights Shares with Warrants that may be allotted to you.

Should you encounter any problems in your Electronic Application, please refer to the Participating Financial Institution.

(e) By making and completing your Electronic Application, you, if successful, requests and authorises our Company to credit the Rights Shares with Warrants allotted to you into your CDS Account.

(f) You acknowledge that your Electronic Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the Participating Financial Institution or Bursa Depository and irrevocably agrees that if:

(i) Our Company, our Share Registrar or Bursa Depository does not receive your Electronic Application; or

(ii) Data relating to your Electronic Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made an Electronic Application and you shall not make any claim whatsoever against our Company, our Share Registrar, the Participating Financial Institution or Bursa Depository for the Rights Shares with Warrants applied for or for any compensation, loss or damage relating to the application for the Rights Shares with Warrants.

(g) All of your particulars, including your nationality and place of residence, in the records of the relevant Participating Financial Institution at the time you make your Electronic Application shall be true and correct, and our Company, our Share Registrar, the relevant Participating Financial Institution and Bursa Depository shall be entitled to rely on the accuracy thereof.

(h) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your correspondence address last maintained with Bursa Depository.

(i) By making and completing an Electronic Application, you agree that:

(i) In consideration of our Company agreeing to allow and accept your application for the Rights Shares with Warrants via the Electronic Application facility established by the Participating Financial Institution at their respective ATMs, your Electronic Application is irrevocable and cannot be subsequently withdrawn;

(ii) Our Company, the Participating Financial Institution, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;

(iii) Notwithstanding the receipt of any payment by or on behalf of our Company, the notice of successful allocation for prescribed securities issued in respect of the Rights Shares with Warrants for which your Electronic Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares with Warrants; and

(iv) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Electronic Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submits to the jurisdiction of the Courts of Malaysia.

(j) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

(k) Notification on the outcome of your application for the Rights Shares with Warrants will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:

(i) successful application – a notice of allotment will be despatched within eight (8) Market Days from the last day for application and payment for the Rights Shares with Warrants; or

(ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Rights Shares with Warrants.

The refund will be credited directly into your bank account from which your Electronic Application was made. Kindly take note of the terms and conditions as stated in Section 3.5.2(iii) of this AP and the required consent in making your Electronic Application.

If the crediting of the refund into your bank account from which your Electronic Application was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

3.5.3 By way of Internet Application

Please read carefully and follow the terms of this AP, the procedures, terms and conditions for Internet Application and the procedures set out on the internet financial services website of the Internet Participating Financial Institution before making an Internet Application.

(i) Step 1: Set up of account

Before making an application by way of Internet Application, you **must have all** of the following:

(a) an existing account with access to internet financial services with **Public Bank Berhad** at http://www.pbebank.com. Accordingly, you will need to have your user identification and PIN/password for the internet financial services facility; and

(b) a CDS Account held in your name.

(ii) Step 2: Read the AP

You are advised to read and understand this AP **BEFORE** making your application.

(iii) Step 3: Apply through Internet

While we will attempt to provide you with assistance in your application for the Rights Shares with Warrants through Internet Applications, please note that the actual steps for Internet Applications through the internet financial services website of a particular Internet Participating Financial Institution may differ from the steps outlined below. The possible steps set out below are purely for illustration purposes only.

(i) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have an bank account;

(ii) Log in to the internet financial services facility by entering your user identification and PIN/password;

(iii) Navigate to the section of the website on applications in respect of the Rights Shares with Warrants;

(iv) Select the counter in respect of the Rights Shares with Warrants to launch the terms and conditions of the Internet Application;

(v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;

(vi) At the next screen, complete the online application form;

(vii) Check that the information contained in your online application form, such as the share counter (in this case, AppAsia Rights Issue Account), your current contact number (for e.g. your mobile phone number), your CDS Account number, number of Rights Shares with Warrants applied for, the amount of payment of subscription monies, the payment of bank charges and the account number to debit are correct. Then select confirm and submit the online application form;

(viii) As soon as the transaction is completed, a message from the Authorised Financial Institution (as defined below) with details of your application appear on the screen of the website; and

(ix) You are advised to print out the confirmation screen for your reference and record.

(iv) Terms and conditions of Internet Applications

The Internet Application shall be made on, and subject to, the terms of this AP, as well as the terms and conditions of the Internet Participating Financial Institution and those appearing herein:

(a) After selecting the designated hyperlink on the screen, you are required to confirm and undertake that the following information given are true and correct:

(i) You have attained 18 years of age as at the last day for application and payment;

(ii) You have, prior to making the Internet Application, received and/or have had access to a printed/electronic copy of this AP, the contents of which you have read and understood;

(iii) You agree to all the terms and conditions of the Internet Application as set out in this AP and have carefully considered the risk factors set out in this AP, in addition to all other information contained in this AP, before making the Internet Application;

(iv) You authorise the financial institution with which you have a bank account to deduct the full amount payable for the Rights Shares with Warrants (including the processing fee as mentioned in Section 3.4 (Note 3) of this AP) from your bank account with the said financial institution (**"Authorised Financial Institution"**); and

(v) You hereby give consent in accordance with the relevant laws of Malaysia (including Section 134 of the Financial Services Act, 2013 and Section 45(1)(a) of the SICDA) for the disclosure by our Company, Bursa Depository, our Share Registrar, the relevant Internet Participating Financial Institution, their respective agents and any third party involved in facilitating the application/refund, of information pertaining to yourself, the Internet Application made by you, your account with the Internet Participating Financial Institution and/or the Authorised Financial Institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the application/refund.

(b) You confirm that you are not applying for the Rights Shares with Warrants as a nominee of any other person and that the Internet Application is made in your own name, as beneficial owner and subject to the risks referred to in this AP.

(c) You agree and undertake to subscribe for or purchase and to accept the number of Rights Shares with Warrants applied for as stated on the Confirmation Screen in respect of your Internet Application. Your confirmation of the number of Rights Shares with Warrants applied for shall signify, and shall be treated as, your acceptance of the number of Rights Shares with Warrants that may be allotted to you.

Should you encounter any problems in your Internet Application, please refer to the Internet Participating Financial Institution.

(d) By making and completing your Internet Application, you, if successful, requests and authorises our Company to credit the Rights Shares with Warrants allotted to you into your CDS Account.

(e) You acknowledge that your Internet Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the Internet Participating Financial Institution or Bursa Depository and irrevocably agrees that if:

(i) Our Company, our Share Registrar or Bursa Depository does not receive your Internet Application; or

(ii) Data relating to your Internet Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made an Internet Application and you shall not make any claim whatsoever against our Company, our Share Registrar, the Internet Participating Financial Institution or Bursa Depository for the Rights Shares with Warrants applied for or for any compensation, loss or damage relating to the application for the Rights Shares with Warrants.

(f) All of your particulars, including your nationality and place of residence, in the records of the relevant Internet Participating Financial Institution at the time you make your Internet Application shall be true and correct, and our Company, our Share Registrar, the relevant Internet Participating Financial Institution and Bursa Depository shall be entitled to rely on the accuracy thereof.

(g) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your correspondence address last maintained with Bursa Depository.

(h) By making and completing an Internet Application, you agree that:

(i) In consideration of our Company agreeing to allow and accept your application for the Rights Shares with Warrants via the Internet Application facility established by the Internet Participating Financial Institution at its respective internet financial services website, your Internet Application is irrevocable and cannot be subsequently withdrawn;

(ii) Our Company, the Internet Participating Financial Institution, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Internet Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;

(iii) Notwithstanding the receipt of any payment by or on behalf of our Company, the notice of successful allocation for prescribed securities issued in respect of the Rights Shares with Warrants for which your Internet Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares with Warrants; and

(iv) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Internet Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submits to the jurisdiction of the Courts of Malaysia.

(i) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

(j) Notification on the outcome of your application for the Rights Shares with Warrants will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:

(i) successful application – a notice of allotment will be despatched within eight (8) Market Days from the last day for application and payment for the Rights Shares with Warrants; or

(ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Rights Shares with Warrants.

The refund will be credited directly into your bank account with the Authorised Financial Institution from which payment of your subscription monies was made. Kindly take note of the terms and conditions as stated in Section 3.5.3(iv) of this AP and the required consent in making your Internet Application.

If the crediting of the refund into your bank account with the Authorised Financial Institution from which payment of your subscription monies was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

(k) A surcharge is imposed on each Internet Application which will be charged by the Internet Participating Financial Institution as mentioned in Section 3.4 (Note 3) of this AP.

(l) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, Bursa Securities or other relevant parties in connection with the Rights Issue of Shares with Warrants, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Application services or if such disclosure is requested or required in connection with the Rights Issue of Shares with Warrants. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Application services.

3.5.4 By way of NRS

Our Company has appointed Bursa Depository to provide NRS to our shareholders who are Authorised Nominees. Only our Entitled Shareholders who are Authorised Nominees and who have subscribed for NRS with Bursa Depository may apply via NRS.

Please read carefully and follow the terms of this AP, the procedures, terms and conditions for application via NRS and Bursa Depository's terms and conditions for NRS and User Guide for NRS (which are made available to all Authorised Nominees who have subscribed for NRS with Bursa Depository) before making the application.

(i) Steps for applications via NRS

(a) If you are an Entitled Shareholder, and who is an Authorised Nominee who has subscribed for NRS with Bursa Depository, you will not be receiving this AP, the RSF nor the NPA by post.

(b) Instead, this AP and a Rights Issue Entitlement File will be transmitted electronically to you by Bursa Depository through Bursa Depository's existing network facility with the Authorised Nominees in the manner as set out in Bursa Depository's User Guide for NRS, on the next business day after the Entitlement Date.

(c) A notification of the delivery of the AP and the Rights Issue Entitlement File will also be sent to you via email using the details you have provided to Bursa Depository when you subscribed for NRS with Bursa Depository.

(d) You are advised to read carefully, understand and follow the terms of this AP, **BEFORE** making the application.

(e) You may accept, on behalf of your client, partially or fully, their respective allocation under the Rights Issue of Shares with Warrants.

(f) To apply for the Rights Shares with Warrants, you will be required to submit your subscription information via a Rights Shares Subscription File which is to be prepared based on the format as set out in Bursa Depository's User Guide for NRS.

(g) Once completed, you will need to submit the Rights Share Subscription File to Bursa Depository at any time daily before 5.00 p.m., but in any event no later than the last day and time for acceptance and payment.

(h) Together with the Rights Shares Subscription File, you will also need to submit a confirmation to Bursa Depository of the following information:

   (i) Confirmation that you have, prior to making the application via NRS, received and/or had access to the electronic copy of this AP, the contents of which you have read, understood and agreed; and

   (ii) Consent to the disclosure of your information to facilitate electronic refunds where applicable.

(i) With regards to payment for the Rights Shares with Warrants which you have applied for, you must transfer the amount payable directly to our bank account, the details of which are as follows:

Bank:	**OCBC Bank (M) Berhad**
Account Name:	**APPASIA RIGHTS ISSUE ACCOUNT**
Bank Account No.:	**101-109424-7**

prior to submitting the Rights Shares Subscription File to Bursa Depository.

(j) Upon completion of the transfer/payment, you may receive a transaction slip (**"Transaction Record"**) from the transacting financial institution confirming the details of your transfer/payment. The Transaction Record is only a record of the completed transaction and not a record of the receipt of the application via NRS or any data relating to such an application by our Company or Bursa Depository. The Transaction Record is for your record and is not required to be submitted with your application via NRS.

(k) You will be notified on the outcome of your application for the Rights Shares with Warrants electronically within the timelines as stated below. No physical notice of allotment will be mailed to you.

   (i) successful application – an electronic notification will be sent to you within eight (8) Market Days from the last day for application and payment for the Rights Shares with Warrants; or

   (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Rights Shares with Warrants.

   The refund will be credited directly into your bank account(s) from which payment of your subscription monies were made. Kindly take note of the terms and conditions as stated in Section 3.5.4(ii)(a) of this AP and the required consent in making the application via NRS.

If the crediting of the refund into your bank account(s) (as provided by you in the Rights Shares Subscription File) from which payment of your subscription monies were made is unsuccessful, the refund will then be made via cheque(s) which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

(l) Upon crediting of the Rights Shares with Warrants allotted to you into your CDS account(s), you will also receive an electronic confirmation of the crediting from Bursa Depository.

(m) You should note that all applications made for the Rights Shares with Warrants submitted under NRS will be irrevocable upon submission of the Rights Shares Subscription File to Bursa Depository and cannot be subsequently withdrawn.

(ii) Terms and conditions for applications via NRS

The application via NRS shall be made on, and subject to, the terms of this AP, Bursa Depository's terms and conditions for NRS and Bursa Depository's User Guide for NRS as well as the terms and conditions appearing herein:

(a) For purposes of making the electronic refund, you hereby give consent in accordance with the relevant laws of Malaysia, including Section 134 of the Financial Services Act, 2013 and Section 45(1)(a) of the SICDA, to the disclosure by our Company, Bursa Depository, our Share Registrar, the relevant financial institution, their respective agents and any third party involved in facilitating the payment of refunds to you as the case may be, of information pertaining to yourself and your account with the relevant financial institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the making of refunds or for any other purpose in connection with such payments. You will be required to provide confirmation of your consent in the manner prescribed in Bursa Depository's terms and conditions for NRS.

(b) You agree and undertake to subscribe for or purchase and to accept the number of Rights Shares with Warrants applied for as stated on your Rights Shares Subscription File in respect of your application via NRS. Your application shall signify, and shall be treated as, your acceptance of the number of Rights Shares with Warrants that may be allotted to you.

(c) You acknowledge that by completing and submitting the Rights Shares Subscription File to Bursa Depository, you, if successful, requests and authorises our Company to credit the Rights Shares with Warrants allotted to you into the respective CDS Account(s) as indicated in the Rights Shares Subscription File.

(d) You acknowledge that your application via NRS is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the relevant financial institution or Bursa Depository, and irrevocably agree that if:

(i) our Company, our Share Registrar or Bursa Depository does not receive your application via NRS; or

(ii) the data relating to your application via NRS is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository, you shall be deemed not to have made your application and you shall not make any claim whatsoever against our Company, Bursa Depository, our Share Registrar or the relevant financial institution for the Rights Shares with Warrants applied for or for any compensation, loss or damage relating to the application for the Rights Shares with Warrants.

(e) By completing and submitting the Rights Shares Subscription File to Bursa Depository, you agree that:

(i) In consideration of our Company agreeing to allow and accept your application for the Rights Shares with Warrants via the NRS facility established by Bursa Depository, your application via NRS is irrevocable and cannot be subsequently withdrawn;

(ii) Our Company, the relevant financial institutions, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your application via NRS due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;

(iii) Notwithstanding the receipt of any payment by or on behalf of our Company, the electronic notification of allotment in respect of the Rights Shares with Warrants issued is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares with Warrants; and

(iv) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation to with the contract between the parties and/or the application via NRS and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.

(f) Our Share Registrar and Bursa Depository, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

3.6 Procedure for part acceptance by Entitled Shareholders

3.6.1 By way of RSF

You must complete both Part I(A) of the RSF by specifying the number of the Rights Shares with Warrants which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 3.5.1 of this AP.

3.6.2 By way of Electronic Application and Internet Application

If you are an individual who is an Entitled Shareholder and wish to accept part of your provisional Rights Shares with Warrants via Electronic Application or Internet Application, you may do so by following the same steps as set out in Sections 3.5.2 and 3.5.3, respectively of this AP.

3.6.3 By way of NRS

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository who is an Entitled Shareholder and wish to accept part of your provisional Rights Shares with Warrants, you may do so by following the same steps as set out in Section 3.5.4 of this AP.

The portion of the provisional Rights Shares with Warrants that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the provisional Rights Shares with Warrants.

3.7 Procedure for sale/transfer of provisional Rights Shares with Warrants

As the provisional Rights Shares with Warrants are prescribed securities, you may dispose of or transfer all or part of your entitlement to the Rights Shares with Warrants to one (1) or more person(s) through your stockbrokers without first having to request for a split of the provisional Rights Shares with Warrants standing to the credit of your CDS Accounts. To dispose or transfer all or part of your entitlement to the provisional Rights Shares with Warrants, you may sell such entitlement in the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository. If you have sold or transferred only part of the provisional Rights Shares with Warrants, you may still accept the balance of the provisional Rights Shares with Warrants by completing Parts I(A) and II of the RSF. Please refer to Section 3.5 of this AP for the procedure, acceptance and payment.

In disposing/transferring all or part of your provisionally Rights Shares with Warrants, you need not deliver any document including the RSF, to any stockbroker. However, you must ensure that there is sufficient provisional Rights Shares with Warrants standing to the credit of your CDS Accounts that are available for settlement of the sale or transfer.

3.8 Procedure for application of excess Rights Shares with Warrants

3.8.1 By way of RSF

You and/or your renouncees/transferees (if applicable) who accepted the provisional Rights Shares with Warrants may apply for excess Rights Shares with Warrants by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forward it (together with a **separate remittance** for the full amount payable in respect of the excess Rights Shares with Warrants applied for) to our Share Registrar **not later than 5.00 p.m. on 18 December 2014**, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board.

PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 3.5.1 OF THIS AP, WHERE THE BANKER'S DRAFT(S)/CASHIER'S ORDER(S)/MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "APPASIA EXCESS RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, on a fair and equitable basis and in the following priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, on the pro-rata basis to our Entitled Shareholders who have applied for the excess Rights Shares with Warrants, taking into consideration their respective shareholdings in our Company as at the Entitlement Date on a board lot basis;

(iii) thirdly, on a pro-rata basis to our Entitled Shareholders who have applied for excess Rights Shares with Warrants, taking into consideration the quantum of their respective excess application; and

(iv) lastly, on a pro-rata basis to our transferees and/or renouncees who have applied for excess Rights Shares with Warrants, taking into consideration the quantum of their respective excess application.

Nevertheless, our Board reserves the right to allot any excess Rights Shares with Warrants applied for under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis and that the intention of our Board as set out in Section 3.8.1 (i) to (iv) above are achieved. Our Board also reserves the right to accept any excess Rights Shares with Warrants application, in full or in part, without assigning any reason.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

3.8.2 By way of Electronic Application

If you are an individual who is an Entitled Shareholder and/or a renouncee and/or a transferee and/or if you have purchased any provisional Rights Shares with Warrants, and wish to apply for additional Rights Shares with Warrants via Electronic Application in excess of your entitlement, you may do so by following the same steps as set out in Section 3.5.2 of this AP save and except that you shall proceed with the option for Excess Rights Shares Application and the amount payable to be directed to "**AppAsia Excess Rights Issue Account**" for the excess Rights Shares with Warrants applied.

It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, on a fair and equitable basis as set out in Section 3.8.1 of this AP.

The Electronic Application for excess Rights Shares with Warrants shall be made on, and subject to, the same terms and conditions appearing in Section 3.5.2 of this AP.

3.8.3 By way of Internet Application

If you are an Entitled Shareholder and/or a renouncee and/or a transferee and/or if you have purchased any provisional Rights Shares with Warrants, and wish to apply for additional Rights Shares with Warrants via Internet Application in excess of your entitlement, you may do so by following the same steps as set out in Section 3.5.3 of this AP save and except that you shall proceed with the option for Excess Rights Shares Application and the amount payable to be directed to "**AppAsia Excess Rights Issue Account**" for the excess Rights Shares with Warrants applied.

It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, on a fair and equitable basis as set out in Section 3.8.1 of this AP.

The Internet Application for excess Rights Shares with Warrants shall be made on, and subject to, the same terms and conditions appearing in Section 3.5.3 of this AP.

3.8.4 By way of NRS

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository who is an Entitled Shareholder and/or a renouncee and/or a transferee and/or if you have purchased any provisional Rights Shares with Warrants, and wish to apply for additional Rights Shares with Warrants via NRS in excess of your entitlement, you may do so by following the same steps as set out in Section 3.5.4 of this AP save and except for the amount payable to be directed to **"AppAsia Excess Rights Issue Account" (Bank Account No. 101-109425-5 with OCBC Bank (M) Berhad)** for the excess Rights Shares with Warrants applied and also that you should complete the details for excess rights application at the designated fields for excess applications in the Rights Shares Subscription File.

It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, on a fair and equitable basis as set out in Section 3.8.1 of this AP.

The Application for excess Rights Shares with Warrants via NRS shall be made on, and subject to, the same terms and conditions appearing in Section 3.5.4 of this AP, Bursa Depository's terms and conditions for NRS and User Guide for NRS (which are made available to all Authorised Nominees who wish to register for NRS).

3.9 Notice of allotment

Upon allotment of the Rights Shares with Warrants in respect of your acceptance and/or your renouncee's/transferee's acceptance (if applicable) and excess Rights Shares with Warrants application (if any), the Rights Shares with Warrants shall be credited directly into the respective CDS Account. No physical share certificates and warrant certificates will be issued in respect of the Rights Shares with Warrants. However, a notice of allotment will be despatched to you and/or your renouncees/transferees (who are not an Authorised Nominee who has subscribed for NRS) (if applicable), by ordinary post within eight (8) Market Days from the last date of acceptance and payment for the Rights Shares with Warrants and excess Rights Shares with Warrants application, or such other period as may be prescribed or allowed by Bursa Securities, at the address shown on the Record of Depositors at your own risk.

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository, an electronic notification will be sent to you within eight (8) Market Days from the last day for application and payment for the Rights Shares with Warrants and excess Rights Shares with Warrants application, or such other period as may be prescribed or allowed by Bursa Securities through Bursa Depository's existing network facility with the Authorised Nominees in the manner as set out in Bursa Depository's User Guide for NRS.

Where any application for the Rights Shares with Warrants is not accepted due to non-compliance with the terms of the Rights Issue of Shares with Warrants or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest to you within fifteen (15) Market Days from the last date and time for acceptance and payment of the Rights Shares with Warrants by ordinary post to the address shown on the Record of Depositors at your own risk.

Please note that a completed RSF and the payment thereof once lodged with our Share Registrar for the Rights Issue of Shares with Warrants cannot be withdrawn subsequently.

3.10 Form of issuance

Bursa Securities has prescribed that our Shares listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants and the new Shares to be issued arising from the exercise of Warrants are prescribed securities and as such the SICDA and the Rules of Bursa Depository shall apply in respect of the dealings in the Rights Shares with Warrants.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. Your subscription for the Rights Shares with Warrants shall mean your consent to receiving such Rights Shares with Warrants as deposited securities which will be credited directly into your CDS Account. No physical share certificate or warrant certificate will be issued to you under the Rights Issue of Shares with Warrants. Instead, the Rights Shares with Warrants will be credited directly into your CDS Accounts, and notices of allotment will be sent to you in the manner as stated in Section 3.10.

Any person who has purchased the provisional Rights Shares with Warrants or to whom provisional Rights Shares with Warrants has been transferred and intends to subscribe for the Rights Shares with Warrants must state his/her CDS Account number in the space provided in the RSF. The Rights Shares with Warrants will be credited directly as prescribed or deposited securities into his/her CDS Account upon allotment and issue.

The excess Rights Shares with Warrants, if allotted to the successful applicant who applies for excess Rights Shares with Warrants, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the excess Rights Shares with Warrants will be made on a fair and equitable basis as disclosed in Section 3.8 of this AP.

3.11 Laws of foreign jurisdictions

This AP and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue of Shares with Warrants will not be made or offered for subscription in any foreign jurisdiction.

Accordingly, this AP together with the accompanying documents will not be sent to the foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) may collect this AP including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the documents relating to the Rights Issue of Shares with Warrants.

Foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue of Shares with Warrants only to the extent that it would be lawful to do so.

TA Securities, our Company and our Directors and officers would not, in connection with the Rights Issue of Shares with Warrants, be in breach of, responsible or liable under the laws of any jurisdiction to which that foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) are or may be subject to. He shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. TA Securities, our Company and our Directors and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/or their renouncees/transferees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

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The foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and our Company shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against our Company and/or TA Securities in respect of their rights and entitlements under the Rights Issue of Shares with Warrants. Such foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue of Shares with Warrants.

By signing the RSF, the foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) TA Securities, our Company and our Directors and officers that:

(i) our Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue of Shares with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renouncees/transferees (if applicable) is or may be subject to;

(ii) the foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the provisional Rights Shares with Warrants;

(iii) the foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation of the provisional Rights Shares with Warrants, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

(iv) the foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) the foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) have received a copy of this AP and have been provided the opportunity to post such questions to the representatives and receive answers thereto as the foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) deem necessary in connection with the foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) decision to subscribe for or purchase the Rights Shares with Warrants. However, any information relevant to an investment shall be contained in this AP; and

(vi) the foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

Persons receiving this AP, the NPA and the RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this AP, the NPA and the RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this AP, the NPA and the RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders and/or their renouncees/transferees (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in our absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

4. RATIONALE FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS

Taking into cognisance the current financial position of our Group, the details of which are set out in Section 7 of Appendix II of this AP, as well as after due consideration of the various methods of fund raising available, our Board is of the opinion that the Rights Issue of Shares with Warrants is currently an appropriate avenue as:

(i) it allows our Company to raise capital without incurring interest costs as compared to other means of financing, such as bank borrowings or the issuance of debt instruments;

(ii) it enables our Group to raise capital for purposes as set out in Section 5 below, such as to fund our R&D for new products, purchase of production and operation equipments and working capital requirements which are expected to contribute positively to the future earnings of our Group and improve our financial performance;

(iii) it involves the issuance of new AppAsia Shares at a discount to the TEAP of AppAsia Shares (based on the 5D-VWAP of AppAsia Shares immediately preceding the price fixing date) without diluting our existing shareholders' equity interest, assuming all Entitled Shareholders fully subscribe for their respective entitlements and exercise their Warrants subsequently. The Undertaking allows our major shareholder to extend its support for the Rights Issue of Shares with Warrants which will facilitate our Group to raise the necessary funds;

(iv) it provides an opportunity for our existing shareholders to increase their equity participation in our Company arising from the subscription of the Rights Shares with Warrants;

(v) the Warrants will increase the attractiveness of the Rights Issue of Shares with Warrants by providing an incentive to our shareholders to subscribe for their entitlements and hence, providing them with the potential capital appreciation arising from the exercise of the Warrants, depending on the future performance of the AppAsia Shares; and

(vi) the Warrants will enable our Company to raise further proceeds from the equity market as and when any of the Warrants are exercised while at the same time provide our shareholders with the opportunity to increase their equity participation in our Company at a pre-determined price over the tenure of the Warrants.

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5. UTILISATION OF PROCEEDS

Based on the issue price of RM0.10 per Rights Share, the gross proceeds of up to approximately RM13.90 million from the Rights Issue of Shares with Warrants will be utilised in the following manner based on the scenarios as illustrated below:

	Note	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Expected time frame for utilisation of proceeds (from the date of listing of the Rights Shares)
R&D for new products	(1)	1,521	3,882	Within 24 months
Purchase of production and operation equipments	(2)	-	1,151	Within 24 months
Working capital	(3)	569	8,353	Within 24 months
Estimated expenses in relation to the corporate exercises	(4)	510	510	Within 2 weeks
Total estimated proceeds		**2,600**	**13,896**	

Notes:

(1) *Our Group is principally involved in the sales and R&D of ICT security systems and the provision of professional services which are in relation to ICT such as security maintenance and professional security services and training.*

By leveraging on our Group's existing technologies and expertise in ICT security, our Group intends to utilise up to RM3.88 million of the proceeds to fund the R&D for the following applications to expand our customer base to include smartphone users in view of its growing size:

Description	*Minimum Scenario (RM'000)*	*Maximum Scenario (RM'000)*
(a) Mobile 2FA	*1,521*	*1,521*
(b) Secure Chat and Localised Search	*-*	*2,361*
Total	*1,521*	*3,882*

(a) *The Mobile 2FA (final name of the application to be confirmed prior to commercialisation) is derived from our Group's current e-Passport application, which is a two (2)-factor authentication product for enterprise users and currently used by our corporate customers. Two (2)-factor authentication is a security process in which the user of an online application or portal, such as online banking, online shopping and online Government services, provides two (2) means of identification, one (1) of which is typically something memorised, such as a username and password, and the other which is a physical token. Physical tokens are portable devices from which the user receives a new/different unique password for each transaction.*

*The features of the Mobile 2FA are the same as the e-Passport, with the exception that Mobile 2FA which will be developed as a software-as-a-service ("**SaaS**") and can be integrated with multiple online applications, as opposed to e-Passport which is customised for use within a particular enterprise. SaaS is a software distribution model in which applications are hosted by our Group or service provider and made available to consumers over a public or private network.*

The development of the Mobile 2FA will be leveraging on our Group's technologies used in e-Passport, i.e. the authentication algorithm and framework, and further enhanced into a security mobile application targeted at the mass consumer market with the following features which e-Passport does not provide:

- *single mobile application for all two (2)-factor authentication needs, as the Mobile 2FA will be integrated with multiple online service providers;*
- *one (1) user identification profile for multiple sign-on needs;*

- *easy integration with various back-end systems of our Group's potential customers using secured service-oriented architecture communication platform which is independent of any vendor, product or technology and allows computers connected over a network to communicate via a protocol;*

- *adaptable to most mobile device operating systems and platforms, i.e. Apple's iOS, Google's Android and Microsoft's Windows; and*

- *inclusive of both mobile passcode and encrypted three (3)-dimensional barcode as authentication features.*

The Mobile 2FA will cater to a wide range of customers, which will largely be owners of online secure applications such as financial institutions, Government departments, online shopping providers, email application providers, other SaaS providers and generally any business owner that needs a secure online environment for their customers to perform business transactions. The Mobile 2FA is also targeted for use by the users of our Group's customers for identity authentication and the relevant types of online services will, amongst others, include online banking for financial institutions and online shopping and e-commerce portals for small and medium enterprises.

Customers which require customer-specific configurations for the Mobile 2FA will be charged a one-time installation and setup fee based on the sophistication of their respective requirements and an annual subscription fee based on the number of users signed up for their online services. Whilst, customers which do not require customer-specific configurations will only be charged with a monthly subscription fee based on the number of users signed up for their online services. A user, or end-customer, who has signed-up for the online services will have access to the Mobile 2FA at no cost, i.e. they will be able to download the application on their mobile devices for free.

The cost of R&D of the Mobile 2FA is estimated to be approximately RM1.521 million. Our Group intends to fund the said R&D with the proceeds from the Rights Issue of Shares with Warrants. In the event that the actual cost for the R&D is higher than the estimated cost, the excess cost of R&D of the Mobile 2FA will be funded via our Group's internally generated funds. No other sources of funding have been determined at this juncture. Barring any unforeseen circumstances, the Mobile 2FA is expected to be commercialised in the second (2^{nd}) half of 2015.

Further breakdown of the costs for the R&D of the Mobile 2FA is as follows:

Description	***Minimum Scenario (RM'000)***	***Maximum Scenario (RM'000)***
(aa) R&D staff cost	*1,255*	*1,255*
(bb) Project management, consultant and quality assurance staff cost	*186*	*186*
(cc) Purchase of equipment, hardware, software, patent and trademark	*80*	*80*
Total	***1,521***	***1,521***

(aa) Comprises staff cost for our existing and new software developers, designers and/or programmers who will be responsible for the development, implementation, maintenance and enhancement of the application as well as mobile applications' graphics and designs.

(bb) Comprises staff cost for our existing and new project management, system consultation and quality assurance personnel who will be responsible for the gathering and analysing product requirements, final testing, quality assurance and documentation in relation to the application.

(cc) Comprises payment for the purchase of development and testing equipment which includes, amongst others, one (1) server, seven (7) desktops or laptops, five (5) mobile devices, eight (8) software, one (1) patent and trademark.

In the event that the actual expenses for the R&D of the Mobile 2FA are less than the allocated amount, the excess allocated amount shall be utilised for the development of Secure Chat and Localised Search.

(b) *Secure Chat (final name of the application to be confirmed prior to commercialisation) is an internet protocol-based secure mobile messaging system with the capability of sending and receiving fully encrypted messages and having communication trails that can be deleted or disabled. Unlike other non-secure mobile messaging systems where messages sent and received are stored and recorded on the mobile application service providers' servers, Secure Chat provides users with the function of deleting these stored messages, and disabling the function of storing and recording any messages which are sent or received. In addition, messages sent or received through Secure Chat are also fully encrypted, which indicates that these messages cannot be read by any third party other than the sender and receiver(s). This minimises the risk of cyber-hacking, hence creating a secure and private environment for the users of Secure Chat.*

Our management believes that the Secure Chat will cater for the increasing demand of smartphone users for higher security and/or privacy of the messages transmitted via the mobile messaging system. Barring any unforeseen circumstances, the Secure Chat is expected to be commercialised in the first (1st) quarter of 2016.

The Secure Chat will be targeted at users who require a secure mobile messaging system, where chats are conducted in a secure and private environment, with options to delete or disable message trails. This mobile application would be suited to users who communicate via chat messages on matters that are confidential and sensitive in nature, and would typically include senior corporate personnel, high ranking Government officials and individuals with a general preference for a secure chat network. A monthly subscription fee will be charged to each user who subscribed for the Secure Chat.

Localised Search (final name of the application to be confirmed prior to commercialisation) is a location-based mobile application that will help consumers search for and locate products and services. It is essentially an application-based classified advertisements system which enables merchants to advertise their products and services on the Localised Search, with the added feature of using location-based technology, i.e. the global positioning system to show consumers the nearest location(s) where the products or services are available. Barring any unforeseen circumstances, the Localised Search is expected to be commercialised in the first (1st) quarter of 2016.

The Localised Search will be targeted at all consumers, or the public at-large, and advertisers such as merchants including small business owners, home business operators and freelancers. As the more products and services it features, the larger its user base will become and this will enable our Group to reach critical mass, being the point in which there is sufficient number of adopters for the product to be self-sustainable and able to grow further. The revenue from the Localised Search will solely be from advertisers, whereby they will be able to advertise their products and services to the public on the Localised Search for a monthly fee based on the number of advertisements to be paid to our Group.

Further breakdown of the costs for the R&D of the Secure Chat and Localised Search is as follows:

Description	***Minimum Scenario (RM'000)***	***Maximum Scenario (RM'000)***
(aa) R&D staff cost	-	*1,625*
(bb) Project management, consultant and quality assurance staff cost	-	*328*
(cc) Purchase of equipment, hardware, software, patents and trademarks	-	*408*
Total	**-**	***2,361***

(aa) Comprises staff cost for our existing and new software developers, designers and/or programmers who will be responsible for the development, implementation, maintenance and enhancement of the application as well as mobile applications' graphics and designs.

(bb) *Comprises staff cost for our existing and new project management, consultant and quality assurance personnel who will be responsible for the gathering and analysing product requirements, final testing, quality assurance and documentation in relation to the application.*

(cc) *Comprises payment for the purchase of development and testing equipment which includes, amongst others, four (4) network and firewall, three (3) servers hardware, twenty (20) laptops, thirteen (13) mobile devices, fifteen (15) software, four (4) patents and trademarks.*

The cost of R&D of the Secure Chat and Localised Search will be shared between the Secure Chat and Localised Search and is estimated to be approximately RM2.36 million. Our Group intends to fund the R&D for Secure Chat and Localised Search under the Minimum Scenario via our internally generated funds and/or bank borrowings, of which the exact funding composition will be determined by our management at a later stage, after taking into consideration of our Group's gearing level, interest cost and internal cash requirements for the business opportunities of our Group. No other sources of funding have been determined at this juncture. In the event that the actual cost for the R&D under the Maximum Scenario is higher than the estimated cost, the excess cost of R&D for Secure Chat and Localised Search will be funded via our Group's internally generated funds.

In the event that the actual expenses for the R&D of the new products are less than the allocated amount, the excess allocated amount shall be utilised as working capital of our Group. If the actual expenses incurred for the R&D of the new products are higher than the allocated amount, the deficit will be funded out of the portion allocated for the working capital of our Group.

In the event that there is a surplus proceeds from the allocation for the R&D of the new products upon expiry of the expected time frame for utilisation of the said proceeds, i.e. within twenty-four (24) months from the date of listing of the Rights Shares, the surplus allocated amount shall be utilised as working capital of our Group.

However, in the event that there is a change in the type of application to be developed, the proceeds earmarked for the development of the abovementioned applications shall be utilised for the new applications to be identified later, which will be related to, inter-alia, IT security, mobile applications and/or e-commerce applications.

(2) *Our Group intends to utilise up to RM1.15 million of the proceeds under the Maximum Scenario to purchase production and operation equipments such as six (6) firewall and network devices, four (4) server hardware, forty-two (42) desktops or laptops, fifty-six (56) computer softwares, two (2) MSS server software and 105 office equipments which include tables, chairs, air-conditioners, etc for the expansion of our existing MSS and MIS businesses by increasing the availability of the equipments with latest technologies to support our services in the MSS and MIS businesses.*

In the event that the actual costs for the purchase of production and operation equipment are less than the allocated amount, the excess allocated amount shall be utilised as working capital of our Group. If the actual costs incurred for the purchase of production and operation equipment are higher than the allocated amount, the deficit will be funded out of the portion allocated for the working capital of our Group.

(3) *Our Group intends to utilise up to RM8.35 million of the proceeds for our working capital as follows:*

Description		***Minimum Scenario (RM'000)***	***Maximum Scenario (RM'000)***
(a)	*Marketing expenses*	*100*	*1,200*
(b)	*Wages and staff benefits*	*469*	*3,293*
(c)	*Other administration and operating expenses*	-	*3,860*
Total		***569***	***8,353***

(a) *Comprise payment for advertising and promotional activities such as developing marketing materials, organising roadshows and creating advertising and promotion programmes to be undertaken by our Group. Additional advertising and promotion programmes will be undertaken under the Maximum Scenario for our Group's existing and new products.*

(b) *Comprise payment of wages, Employees' Provident Fund and Social Security Organisation contributions to our staff. Under the Minimum Scenario, our Group intends to finance most of the payment of wages and staff benefits via internally generated funds.*

(c) *Comprise payment for server location or cloud hosting fees, rental, audit fees, secretarial fees, electricity, telephone and internet, and other sundry expenses for the existing and new businesses of our Group.*

(4) *The estimated expenses consist of professional fees, fees payable to the relevant authorities, expenses to convene the EGM and other ancillary expenses. Any surplus or shortfall of proceeds for the estimated expenses in relation to the corporate exercises will be adjusted accordingly to/from the working capital of our Group.*

The actual proceeds to be raised from the Rights Issue of Shares with Warrants are dependent on the number of Rights Shares to be issued. Any variation in the actual proceeds raised will be adjusted to/from the proceeds allocated for the working capital of our Group.

Pending utilisation of the proceeds from the Rights Issue of Shares with Warrants for the abovementioned purposes, the proceeds will be placed in deposits with financial institution or short-term money market instruments as our Board may deem fit. The interest derived from the deposits with the financial institution or any gain arising from the short-term money market instruments will be used as working capital of our Group.

The exact quantum of proceeds that may be raised by our Company pursuant to the exercise of the Warrants will depend upon the actual number of Warrants exercised during the tenure of the Warrants. The proceeds to be raised from the exercise of the Warrants shall be utilised for the working capital of our Group of which the exact timeframe and the breakdown for the utilisation cannot be determined at this juncture.

6. RISK FACTORS

You and/or your renouncees/transferees (if applicable) should consider carefully the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Rights Issue of Shares with Warrants.

6.1 Risks relating to our business and industry

(i) Financial position

Our Group incurred an audited LAT of RM1.36 million for the FYE 30 September 2013 and an unaudited LAT of RM9.83 million for the nine (9)-month period ended 30 June 2014 and we have unaudited accumulated losses of RM9.68 million as at 30 June 2014, respectively. Resulting from these losses, the shareholders' equity position of our Group deteriorated to RM8.30 million as at 30 June 2014 which represents approximately 59.72% of our Company's issued and paid-up share capital of RM13.90 million.

Pursuant to Rule 8.04(2) of the Listing Requirements, where a listed corporation triggers any of the prescribed criteria stated in Guidance Note 3 of the Listing Requirements (which include *inter-alia*, the criteria that the shareholders' equity is twenty-five percent (25%) or less of the issued and paid-up share capital of the listed corporation) ("**GN3 Company**"), the listed corporation will be required to submit a regularisation plan to Bursa Securities and obtain Bursa Securities' approval to implement the plan within twelve (12) months from the date the listed corporation announces that it is a GN3 Company. Failure to comply with this obligation may result in the suspension of the trading of listed securities of such listed corporation or de-listing of the listed corporation or both. Should the financial performance of our Group continues to deteriorate, we may risk triggering the said prescribed criteria which can result in our Group being classified as an affected listed corporation pursuant to Guidance Note 3 of the Listing Requirements.

However, we believe that there will be improvement to our Group's financial condition after taking into consideration the utilisation of proceeds as detailed in Section 5 of this AP and the measures taken by our Group to improve our Group's financial position as detailed in Section 9.1 of this AP, whereby part of the proceeds raised from the Rights Issue of Shares with Warrants will be utilised to develop new mobile applications to expand our customer base to include smartphone users as well as to expand our existing MSS and MIS businesses.

Notwithstanding the above, there can be no assurance that our Group will be profitable subsequent to the completion of the Rights Issue of Shares with Warrants and thereby, reduce the accumulated losses in the near future.

(ii) Business and operation risks

Our Group's operations are subject to certain risks inherent in the IT security industry which we operate. The risks include, *inter-alia*, constraints in supply of highly skilled and knowledge personnel (as discussed in item (vi) below), changes in economic and business conditions, foreign exchange rate fluctuations, unfavourable changes in Government and international policies (as elaborated in item (xi) below) as well as the introduction of new and more superior technology or products and services by competitors and changes in consumers' taste (as discussed in item (viii) below).

Although our Group seeks to limit these risks through, inter-alia, increasing the efficiency of operations, diversifying the pool of suppliers, expanding the business through increasing our range of customers, products and services, and improving our technological competence in R&D and advanced technologies, no assurance can be given that any changes to these factors will not have a material adverse effect on our Group's business.

Our Group's exposure to foreign exchange risk is currently limited to our sales to the Middle East region which are denominated in USD. Our management will constantly monitor our Group's foreign currency exposure and review our Group's need to hedge, if necessary. However, there can be no assurance that this risk would not have an adverse impact on our financial performance.

(iii) There is no assurance that there would be no unauthorised use of our technologies

Our Directors are aware that there may be unauthorised attempts to copy or otherwise obtain and use our technologies in ICT security. Apart from the copyright protection accorded by the Malaysian Copyright Act 1987 (as amended), our Directors have been safeguarding documentations, enforcing confidentiality clauses and encrypting source codes, in order to mitigate risk of misappropriation of our technologies.

It is our Group's practise that there is no one personnel in the development stage knows the entire source code for the particular products or services of our Group. As such, without having the knowledge of the entire source code, the risk of unauthorised copy of our technologies by our staff will be mitigated.

However, despite our efforts to protect our intellectual property rights, there can be no assurance that there would be no unauthorised use or distribution of our technologies.

Nevertheless, the risk of unauthorised use of our technologies can be made obsolete through the rapid changes in technology. Hence, we regularly carry out upgrading works on our technologies through continuous innovation and expansion in our products and services. However, there can be no assurance that the abovementioned efforts are sufficient to mitigate the risk arising from the unauthorised use of our technologies.

(iv) We rely on open standard technology in our product development

Open standard technology allows the end users and other developers to view and modify the source code of software. This provides the platform upon which anyone with the knowledge of source codes can add on to the development and production of software. We utilise the open standard technology by customising and/or modifying the open standard technology to develop our products and services.

There can be no assurance that there would be a continuous supply of open standard technology and that our profitability would not be adversely affected. However, our Directors are of the opinion that there would not be shortage in supply of open standard technology in the foreseeable future as there are strong supporters of this technology due to its growing popularity.

(v) No assurance that our future plans will be commercially successful

In order to achieve our future plans in leveraging our existing technologies and expertise in ICT security to include smartphone users, our Group relies on the availability of management, financial, customer support, operational and other resources. The success of our future plans will be dependent upon, amongst others, our ability to successfully develop and commercialise new applications of our technology such as the Mobile 2FA, Secure Chat and Localised Search. Whilst we may utilise resources in our R&D for new products, there is no assurance that we will be successful in increasing our revenue through the sales of such new products. Any failure to do so may lead to a material adverse effect on our financial performance.

Further, to manage any future growth of our operations and personnel resulting from the new products, we will improve and effectively utilise our existing operational, management and marketing team and recruit, hire, train and manage additional personnel. Our failure to manage our business expansion and growth may materially and adversely affect our business operations and financial performance.

(vi) Dependence on key personnel

Our Group's believes that the continuing success will depend substantially upon the abilities and continued efforts of our existing Directors and senior management. The loss of key personnel may adversely affect our Group's performance.

Our Group's future successes will also depend upon its ability to attract and retain a sufficient number of highly skilled employees.

Our Group mitigates these risks by continuing to hire personnel as and when necessary to accommodate any increase in the size of our Group's operations. Our Board believes that by offering a competitive salary package, SIS, training and conducive working environment should mitigate these risks further. Recognising the importance of our human resource, efforts have also been taken to groom younger members of our Group to ensure smooth transition in our management team.

(vii) Competition risks

Our Group may face competition from existing competitors and new entrants into the market in the future, both locally and internationally which offer similar products and services.

In view of this, our Group has embarked in sharpening our competitive edge by continually developing new measures to counter competition which will include, amongst others, product differentiation and innovation in products and services. We will continue to focus on providing proven technology and also investments in products innovation to ensure our competitiveness in capturing market share. However, there can be no assurance that we would be able to sustain our competitiveness against current and future competitors.

(viii) Technology obsolescence

Our Group operates in a market where the products and services are prone to evolving industry standards and frequent new product introductions and enhancements. Our Group's future growth and success would depend on our ability to develop new products and services to meet the needs of our customers.

The development of new or enhanced products and services is a complex and uncertain process. Furthermore, we may also experience design, marketing and other difficulties that could delay or prevent the development of existing products and services and the introduction or marketing of new or enhanced products and services. Our businesses, operating results and financial conditions could be adversely affected if the competitors are able to develop new or enhanced products and services, on a timely manner and cost-effective basis that meet or best suit our customers' needs.

Our Group seeks to limit these risks by actively engaging in R&D activities that focuses on developing new products and services as well as enhancing our proprietary solutions. However, there can be no assurance that we would be able to develop new products and services on a timely manner and cost-effective basis. Such circumstances may in turn adversely affect our business operations and financial performance.

The risk is further mitigated as prior to the commencement of any projects, extensive and in-depth technological requirements and discussions would be held with our customers. These discussions would consider any foreseeable potential changes in the technology employed and to adjust the project scope accordingly.

(ix) Dependence on certain customers and suppliers

(a) Dependence on customers in the financial services industry

Our Group acknowledges that the majority of our MSS customers are mainly from the financial services industry in Malaysia. Accordingly, our Group's performance is, to a certain extent, dependent on the performance of the domestic financial services industry. Notwithstanding the above, this dependency is expected to be mitigated by the following factors:

(aa) our Group's recent expansion into the Middle East, thus enabling us to diversify our customer base to include MSS customers from different countries; and

(bb) our Group's planned expansion into the mobile applications and content industry with our development on Mobile 2FA, Secure Chat and Localised Search, which are consumer-based products and are not industry dependent.

(b) **Dependence on suppliers**

Our Group utilises third party products such as hardware components, software applications and other peripherals as part of our solutions, partly due to our customer's choice and partly due to the fact that some of these third party products are not economically efficient to be re-produced as they are readily available in the market. In this respect, there are risks relating to our Group's reliance on the suppliers for these third party products.

Notwithstanding the above, the dependency is mitigated by the fact that the products offered by the vendors and the product's substitutes are readily available in the market from other vendors.

(x) **Dependence on project contracts**

Our Group's transactions with our MSS customers are mainly on contract basis. As such, our Group's financial performance depends on our ability to continue securing major contracts from our MSS customers.

Although this risk is mitigated by the market credibility in terms of our Group's expertise and reputation in IT security industry, there can be no assurance that this risk may not have an adverse effect on the financial performance of our Group. This risk is also mitigated by our expansion into the mobile applications and content industry with our development on Mobile 2FA, Secure Chat and Localised Search, where we expect to generate regular and/or recurring revenue from our customers.

(xi) **Political, economic and regulatory considerations**

Development in political, economic and regulatory conditions in Malaysia and other countries where our Group is currently operating or where our Group may undertake projects or market our products in the future could materially affect the business, operations and financial prospects of our Group. Political, economic and regulatory uncertainties include but are not limited to the risks of war, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, fluctuations in foreign exchange rates, inflation, changes in interest rates and methods of taxation.

Whilst our Group strives to continue to take effective measures such as prudent financial management and efficient operating procedures, to a material extent, the abovementioned risks are beyond our control. Hence, there is no assurance that adverse political, economic, monetary and regulatory factors will not materially affect our Group's businesses and financial performance.

(xii) **Delays in R&D**

Our Group is involved in rapidly evolving industry and our success lies within our speed and ability to change and develop up-to-date solutions and services to remain competitive. Our Group has our own in-house R&D team to conduct research in order to improvise our solutions and services. Our R&D team is able to assist and support in providing services to meet demands of our customers. However, completion and successful implementation of R&D requires substantial amount of lead-time. Even though our Group seeks to mitigate this risk by effectively allocating our resources, there can be no assurance that there will not be any delays in completion of our R&D efforts which will cause material adverse effect on our business and financial performance.

(xiii) Expansion to foreign markets and its related risks thereon

Our Group has expanded into the Middle East region through the increased offering of our Group's services. However, such expansion could expose our Group to foreign economic, political, legislative and other risks. Any failure to accurately assess these issues could affect our Group's business, financial conditions and operating results. However, prudence and careful planning have always been exercised by our Board to ensure that there would not be a sudden overexpansion.

6.2 Risks relating to the Rights Issue of Shares with Warrants

(i) Investment risk

The market price of the Rights Shares is influenced by, amongst others, the prevailing market sentiments, the volatility of equity markets, the liquidity of AppAsia Shares, the outlook for the IT industry, changes in regulatory requirements or market conditions, the financial performance and fluctuations in our Group's operating results. In view of this, there can be no assurance that the Rights Shares will trade above the Issue Price for the Rights Shares or TEAP upon or subsequent to the listing of and quotation for the Rights Shares on the ACE Market of Bursa Securities.

The market price of the Warrants may be influenced by, amongst others, the market price of AppAsia Shares, and the remaining exercise period of the Warrants and the volatility of AppAsia Shares. There can be no assurance that the Warrants will be "in-the-money" during the exercise period of the Warrants. In the event the Warrants are not exercised during the exercise period, the unexercised Warrants will lapse and cease thereafter to be valid for any purpose.

(ii) Delay in or failure of the Rights Issue of Shares with Warrants

The Rights Issue of Shares with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of anyone or more of the following events:

(a) Force majeure events or circumstances which are beyond the control of our Company arising prior to the implementation of the Rights Issue of Shares with Warrants. Such events or circumstances include, *inter-alia*, natural disasters, adverse developments in political, economic and government policies in Malaysia, including changes in inflation and interest rates, global economic downturn, acts of war, acts of terrorism, riots, expropriations and changes in political leadership; or

(b) The Undertaking Shareholder as set out in Section 2.4 of this AP who has provided the Undertaking is not able to fulfill his obligation for whatsoever reason, despite TA Securities has verified, to the extent possible, that the Undertaking Shareholder has sufficient financial resources pursuant to his Undertaking.

In this respect, all proceeds arising from the Rights Issue of Shares with Warrants will be refunded without interest to the Entitled Shareholders and/or their renouncees/transferees (if applicable) in the event the Rights Issue of Shares with Warrants is aborted and if such monies are not repaid within fourteen (14) days after it becomes liable, we will repay such monies with interest at the rate of ten percent (10%) per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the Capital Markets and Services Act, 2007. Notwithstanding the above, our Company will exercise our best endeavor to ensure the successful implementation of the Rights issue of Shares with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue of Shares with Warrants.

(iii) **Capital market risks**

The performance of the local stock market is dependent on the economic and political condition in Malaysia as well as external factors such as, amongst others, the performance of the world bourses, flows of foreign funds and prices of commodities. These factors invariably contribute to the volatility and the liquidity of Bursa Securities, thus adding risk to the market price of the Rights Shares and Warrants.

(iv) **Forward-looking statements**

Certain statements in this AP are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this AP are based on forecasts and assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, amongst others, the risk factors as set out in this section. In view of the above, the inclusion of any forward-looking statements in this AP should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

7. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF OUR GROUP

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 4.7% in 2013 (2012: 5.6%), driven by the continued strong growth in domestic demand. Despite the weaker external environment in the first (1^{st}) half of the year, domestic demand remained resilient throughout the year, led by robust private sector activity. Private consumption was strong, supported mainly by favourable employment conditions and wage growth. Private investment registered a strong growth in 2013, continuing the momentum from the previous year. Growth was underpinned by capital spending in the mining, services and manufacturing sectors.

Domestic demand remained the key driver of Malaysia's economy, expanding by 7.6% in 2013 (2012: 10.6%). This was attributable to the robust growth in private consumption and investment. Public expenditure growth moderated but remained supportive of overall growth.

Private investment continued to register a double-digit growth rate of 13.6% (2012: 21.9%), well above the average growth rate of 8.8% over 2000 to 2012. Private investment was driven by capital spending by both the domestic and foreign investors in mining, services and manufacturing sectors. Services investments (48% share of private investment in 2013) were underpinned by capital spending in both domestic- and export-oriented services sub-sectors. Mining investment (17% share of private investment) remained strong in 2013, reflecting continued capital spending in major upstream projects, such as the Gumusut-Kakap deepwater field, Enhanced Oil Recovery of the Tapis oil field and the Berantai and Balai marginal fields.

Private consumption continued to register a strong growth of 7.6% in 2013. Spending was underpinned mainly by favourable employment conditions and wage growth. The implementation of the minimum wage policy on 1 January 2013 also contributed to the higher wage levels. The new policy had minimal adverse effects on employment, and was confined mostly to the fourth quarter of 2012, during which, retrenchments were temporarily higher as companies started to implement the policy.

Public investment recorded a small positive growth of 0.7% (2012: 17.1%), following the decline in the Federal Government's development expenditure. Nevertheless, this was offset by higher capital spending by the public enterprises, which were channeled mainly into the oil and gas, transportation and energy sectors. The Federal Government's development expenditure in the economic sector was directed mainly to transportation, and trade and industry, particularly to upgrade infrastructure facilities in industrial areas.

On the supply side, all economic sectors continued to grow in 2013, driven mainly by continued expansion in domestic demand and improving external conditions in the second (2^{nd}) half of the year.

(Source: The 2013 Bank Negara Malaysia Annual Report, Bank Negara Malaysia)

The Malaysian economy expanded by 5.6% in the third (3^{rd}) quarter of 2014 (2Q 2014: 6.5%). Overall, growth was supported by private domestic demand, amid continued contraction in public expenditure. As real exports of goods and services recorded a positive growth amid a slower pace of expansion in real imports of goods and services, net exports continued to contribute positively to growth during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (2Q 2014: 1.9%)

(Source: Economic and Financial Developments in the Malaysian Economy in the Third (3^{rd}) Quarter of 2014, Bank Negara Malaysia)

The Malaysian economy has benefited from several initiatives and reforms taken over the years to enhance its resilience and competitiveness. Consequently, Malaysia is now well placed to gain further from the gradual global recovery with a more broad-based growth. The nation's strengths include: strong macroeconomic fundamentals such as diversified economy; low unemployment; strong international reserves; growing role of the private sector as the driver of growth with its share of investment currently accounting for 68.9% of total investment during the first (1^{st}) half of 2014; and a healthy financial system to support economic activity. Thus, the domestic economy will continue to expand in the second (2^{nd}) half of the year, albeit moderately, mainly due to the high-base effect of export performance from the previous year. For 2014, the economy is projected to grow 5.5% - 6% (2013: 4.7%), which is higher than the initial forecast of 4.5% - 5.5% in early 2014.

The economic growth momentum in 2014 is expected to continue in 2015 driven by improving external demand and resilient domestic economic activity. Growth will be private-led in line with the Government's efforts to strengthen the private sector's role in the economy. On the supply side, all economic sectors are expected to record positive growth in 2015, with the services and manufacturing sectors remaining the major contributors to growth. Sustained growth in domestic demand, albeit at a moderate pace, is expected to contribute to the expansion in domestic-related activities. Meanwhile, the export-oriented industries, particularly the electronics and electrical subsector will benefit from the improvement in external conditions in line with improving global growth. The agriculture sector is expected to expand on account of higher output of palm oil while the construction sector is expected to record higher growth driven by robust activity in the civil engineering and residential subsectors. Hence, the economy is projected to growth 5% - 6% in 2015.

(Source: Economic Report 2014/2015, Ministry of Finance Malaysia)

7.2 Overview and outlook of the IT security industry in Malaysia

The increase in sophisticated cyber-crimes, particularly forgery and fraudulent activities (i.e. identity theft, account theft, etc.), has caused Government agencies and businesses to be under great pressure to safeguard against both internal and external threats. Most organisations do not have internal capabilities to address the more sophisticated security attacks due to system limitations from outdated security products, or skill limitations of the IT personnel employed. IT security providers then become an important service to protect an organisation's network against internal and external threats. Security threats have also risen substantially, with a growing number of reported security incidences each year.

In Malaysia, the number of online harassment cases has increased from 68 reported cases in 2007 to an estimated 512 reported cases in 2013, at a CAGR of 40%. Forgery and fraud, a substantially more serious threat compared to online harassment, increased at a CAGR of 52% over the same period, from 364 cases in 2007 to an estimated 4,485 cases in 2013. Malicious codes, which are software with malicious intent planted by perpetrators, increased at a CAGR of 45.8%, while denial of service attack incidences rose by a CAGR of 15.5%. Intrusions and attempted intrusions also saw a significant increase, rising from 385 cases in 2007 to an estimated 2,846 cases in 2013, at a CAGR of 39.6%. Incidences of attempted intrusions are proof that IT security providers or MSS providers have made pre-emptive threat detection possible. The increases in cyber-crimes in Malaysia indicates the potential of the market for IT security as organisations will be more likely to invest in IT security systems to effectively defend their networks, servers and user devices at all times.

In Malaysia, there has not been any case of major cyber warfare, but several high-profile cyber-attacks have taken place in recent years. In 2013, Google Malaysia's domain name system server was compromised twice by groups of hackers, while in 2011, a hacker group known as Anonymous launched a cyber-attack on Malaysian Government websites in protest against the MCMC decision to block several popular file-sharing websites. Despite being warned of these attacks, attempts to stop the attacks failed, as 41 out of the targeted 51 Government websites were disrupted.

With the large numbers of cases of cyber-attacks in recent years, including in Malaysia, and the reality that many of the world's leading Governments are proactively building cyber military and cyber defence capabilities, it is important that the Internet perimeter in Malaysia is also well-protected. A number of agencies and bodies in Malaysia have been tasked with developing the nation's cyber security capabilities. The National Cyber Crisis Management Committee, under the National Security Council, is responsible for cyber security policy direction. The monitoring of cyber cases is carried out by CyberSecurity Malaysia, an agency under the Ministry of Science, Technology and Innovation; with emergency and incident response under the purview of its Malaysian Computer Emergency and Response Team.

In particular, Malaysia must be always be ready to defend its CNII sectors, which if destroyed, would cripple the country. The main components of the CNII are national defence and security, banking and finance, information and communications, energy, transportation, water, health services, Government, emergency services, and food and agriculture.

(Source: Independent Market Research Report on the IT Security Industry (Malaysia and Global), and Mobile Content and Application Industry (Malaysia) dated November 2014 by Smith Zander International Sdn Bhd)

7.3 Overview and outlook of the global IT security industry

Globally, the threat of internet or cyber threats has more wide-ranging consequences, as perpetrators often target large-scale attacks on Governments and/or corporations, often politically-motivated or under economic protest.

In general, there are several levels of impact on security, ranging from merely a matter of curiosity and personal fame to threats to national security, perpetrated by casual hackers to professional cybercriminals. The threat levels can range from harmless snooping to cyber espionage by hostile organisations and nations.

Between August and October 2013, it began emerging that the US had installed sophisticated and superior communications intelligence facilities, i.e. spyware, in many major cities around the world, including Kuala Lumpur. There are reportedly ninety (90) countries covered by these facilities, which are used to secretly intercept phone calls and Internet traffic. There were also reports that clandestine surveillance facilities were being carried out at foreign embassies without the knowledge of most diplomats based at these embassies. This US spying scandal had reportedly identified targets such as computers used by French delegates at the United Nations, mobile phone of the German chancellor, and messages between the President of Brazil and the Brazilian state oil company.

This followed reports earlier in the year that a former employee of the US' National Security Agency had revealed mass snooping by the US Government on Internet searches and telephone records of millions of Americans and major world leaders.

In September 2013, the United Kingdom became the first nation to announce active development of cyber military strike and cyber defence capabilities. In what is known as the Joint Cyber Reserve, the UK Government announced that it would be recruiting hundreds of experts and specialists to defend its vital networks against cyber-attacks, and to enable the use of cyber weapons alongside conventional weapons in future warfare and conflicts. The US has had a similar infrastructure in place since 2009 with the US Cyber Command. The US Government views a cyber-attack against them as a nation as an act of war.

These developments are an indication of a major security problem facing all nations today, including Malaysia, where the prospects of future wars being fought with computers are increasingly possible. Cyber warfare has been quietly brewing in recent years, with reportedly 120 countries having launched web espionage operations around the world.

The increase in complexity and volumes of IT security threats, coupled with the requirements on businesses and organisations' part to address regulatory and compliance-related concerns has propelled the growth of the IT security market worldwide. In 2011, the global IT security market was worth approximately USD56.6 billion. The global IT security market registered a CAGR of 9.0% in the last three (3) years to reach an estimated USD67.2 billion in 2013.

(Source: Independent Market Research Report on the IT Security Industry (Malaysia and Global), and Mobile Content and Application Industry (Malaysia) dated November 2014 by Smith Zander International Sdn Bhd)

7.4 Overview and outlook of the mobile application and content industry in Malaysia

Mobile applications, also known as mobile apps, has become a significant mobile content market since the introduction of smartphones, in particular the release of the first iPhone from Apple Inc. in 2007.

The mobile content and application industry is in an early growth stage in Malaysia, and thus has significant potential for growth to cater for the growing mobile telecommunications industry. The size of the mobile content and application industry in Malaysia, based on revenues of identified industry players, increased from approximately RM0.7 billion in 2008 to approximately RM1.2 billion in 2012, at a CAGR of 14.4%. The industry size in 2012 is the latest available as the financial year ended 2012 was the latest year where financial information of the identified industry players were available. The mobile content and application industry in 2013 was estimated to be RM1.4 billion.

The demand for mobile content and applications in Malaysia is driven by the following key factors:

- **Changes in lifestyle and acceptance of mobile smartphones in Malaysia**

  As seen in the growth of mobile subscriptions in the past, where mobile phone penetration rate was 143.7% as at the first (1^{st}) quarter of 2014, mobile phones have been, and are expected to continue to be, widely used and accepted in Malaysia. The proliferation of mobile phones in the society today is mainly due to its ability in enabling easy access to communication and accessing digital information. The current mobile phone penetration rate of 143.7% signifies that users in Malaysia are utilising more than one (1) mobile phone. In 2012, about 36.7% of handphone users utilise more than one (1) mobile phone, and this trend is expected to continue, benefiting the mobile telecommunications industry.

Furthermore, the use of mobile smartphones in Malaysia is also rising significantly, as smartphone penetration rate has grown from 14% in 2010 to 46% in 2013, with the main objective of owning a smartphone being to access internet content. With the use of smartphones no longer considered a trend but a permanent feature of most urban consumers today, mobile applications, as a key medium to access internet content, will consequently rise in tandem.

- **Increasing penetration rate of mobile internet in Malaysia**

  The growth in mobile internet will continue to be driven by the introduction of smartphones and higher speed mobile internet connection, i.e. mobile 4G (or fourth generation) technology such as Worldwide Interoperability for Microwave Access (WiMAX) and LTE, which can offer mobile broadband speeds of up to 100Mbps. In late 2012, the MCMC assigned the 4G technology spectrum to eight (8) firms in Malaysia, who can now use the 2600 MHz allocation to further expand and enhance the capacity of their mobile broadband networks to meet increasing consumer demands.

  In Malaysia, mobile 3G has enjoyed strong growth, increasing from 9.2 million subscriptions in 2010 to approximately 18.0 million subscriptions in 2013, at a CAGR of 25.1%.

- **Growing popularity of users accessing content via mobile applications**

  There is a growing trend amongst mobile phone users to access content on the internet through mobile applications. Mobile users worldwide spent about 80% of time accessing content through mobile applications while the remaining 20% of time spent were through non-mobile applications in 2013. This percentage of time spent accessing content through mobile applications grew to 86% in 2014. Particularly in Malaysia, more than 65% of smartphone users have downloaded at least 10 mobile applications in 2012. The average daily time spent on mobile applications amongst smartphone users in Malaysia was estimated to be approximately 66 minutes a day.

  Some of the most utilised categories of mobile applications include social media applications and entertainment applications which encompass social networking applications and instant messaging applications such as "Facebook", "WeChat", and "Instagram". Social media applications and entertainment applications collectively comprise approximately 39% of mobile application usage in 2013, and these two (2) segments are the fastest growing mobile application categories with a year-on-year growth rate of 45.2% and 44.4% respectively between 2011 and 2012. Other categories of mobile applications which are widely used include applications for general information search (e.g.: "Google Search", "Mudah.my" and "Alibaba"), games (e.g.: "Candy Crush Saga", "Clash of Clans" and "Temple Run"), email (e.g.: "Yahoo Mail", "Gmail" and "Mailbox") and retail ("AirAsia", "Zalora" and "Golden Screen Cinemas") comprising about 23%, 17%, 12% and 9%, respectively.

- **Increasing disposable income of the population in Malaysia signifies growth potential for the mobile telecommunications industry**

  Malaysia is an upper-middle income developing economy with aspirations to achieve developed status by the year 2020. GDP per capita increased by 18.5% from approximately RM27,957 in 2008 to RM33,132 in 2013 while purchasing power parity per capita income increased by 21.3% from approximately USD14,448 to USD17,526 during the same period.

This increase in disposable income is leading to a rise in a more affluent population that has greater spending power for mobile phones. This, in turn, indicates significant growth potential for the mobile content and applications industry.

(Source: Independent Market Research Report on the IT Security Industry (Malaysia and Global), and Mobile Content and Application Industry (Malaysia) dated November 2014 by Smith Zander International Sdn Bhd)

7.5 Prospects of our Group

In the past, our Group has been well positioned in the IT security industry growing, in terms of revenues, from RM8.4 million in the FYE 30 September 2011 to RM13.5 million in the FYE 30 September 2013, and has been reaping the benefits of the growing IT security industry. In terms of IT security in Malaysia, the number of online harassment cases has increased from 68 reported cases in 2007 to an estimated 512 reported cases in 2013, at a CAGR of 40%. Forgery and fraud, a substantially more serious threat compared to online harassment, increased at a CAGR of 52% over the same period, from 364 cases in 2007 to an estimated 4,485 cases in 2013. Malicious codes, which are software with malicious intent planted by perpetrators, increased at a CAGR of 45.8%, while denial of service attack incidences rose by a CAGR of 15.5%. Intrusions and attempted intrusions also saw a significant increase, rising from 385 cases in 2007 to an estimated 2,846 cases in 2013, at a CAGR of 39.6%. Incidences of attempted intrusions are proof that IT security or MSS providers have made pre-emptive threat detection possible. Meanwhile, this growing trend in the need for IT security is also reflected globally, where the global IT security market has registered a CAGR of 9.0% between 2011 and 2013, increasing from approximately USD56.6 billion to an estimated USD67.2 billion.

The mobile content and application industry in Malaysia had an industry size of RM0.7 billion in 2008, and this grew to approximately RM1.2 billion in 2012. The mobile content and application industry in 2013 was estimated to be RM1.4 billion. The CAGR of 14.4% illustrated by the mobile content and application industry between 2008 and 2012 is driven by the changes in lifestyle and acceptance of mobile smartphones in Malaysia, increasing penetration rate of mobile internet in Malaysia, growing popularity of users accessing content via mobile applications, as well as increasing disposable income of the population in Malaysia, signifying growth potential for the mobile telecommunications industry as a whole. These growth factors are expected to propel the use of mobile applications, thus suggesting an upward trend in the future growth of the mobile content and application market.

Our Group's prospects in our existing IT security business is expected to be buoyed by the positive outlook in the IT security market globally and in Malaysia, where the use of the internet as a standard medium of communication has given rise to increasing demand for secure IT infrastructure. Furthermore, our Group's intention to expand our current enterprise security solutions to include mobile content and application solutions (namely consumer security mobile application, secure mobile messaging application, and location-based mobile search application) is also viewed favourably as it demonstrates potential for our Group to benefit from opportunities arising from the fast growing mobile content and applications market which will improve our Group's financial performance.

(Source: Independent Market Research Report on the IT Security Industry (Malaysia and Global), and Mobile Content and Application Industry (Malaysia) dated November 2014 by Smith Zander International Sdn Bhd)

8. EFFECTS OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS

8.1 Issued and paid-up share capital

The pro forma effects of the Rights Issue of Shares with Warrants on our issued and paid-up share capital are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of AppAsia Shares	RM	No. of AppAsia Shares	RM
Issued and paid-up share capital as at the LPD	138,956,400	13,895,640	138,956,400	13,895,640
To be issued pursuant to the Rights Issue of Shares with Warrants	26,000,000	2,600,000	138,956,400	13,895,640
	164,956,400	16,495,640	277,912,800	27,791,280
To be issued pursuant to the full exercise of the Warrants	26,000,000	2,600,000	138,956,400	13,895,640
Enlarged issued and paid-up share capital	**190,956,400**	**19,095,640**	**416,869,200**	**41,686,920**

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8.2 NA, NTA and gearing

The pro forma effects of the Rights Issue of Shares with Warrants on the NA, NTA and gearing of our Group based on the audited consolidated financial statements of our Company as at 30 September 2013 are as follows:

Minimum Scenario

	(Audited) As at 30 September 2013 (RM)	(I) After the Private Placement[1] (RM)	(II) After (I) and the Rights Issue of Shares with Warrants (RM)	(III) After (II) and assuming full exercise of the Warrants[5] (RM)
Share capital	12,632,400	13,895,640	16,495,640	19,095,640
Share premium	4,167,884	4,081,846[2]	3,571,846[3]	4,351,846
Warrants reserve	-	-	2,228,200[4]	-
Other reserve	-	-	(2,228,200)[4]	-
Retained earnings	148,038	148,038	148,038	148,038
Shareholders' funds / NA	**16,948,322**	**18,125,524**	**20,215,524**	**23,595,524**
No. of AppAsia Shares in issue	126,324,000	138,956,400	164,956,400	190,956,400
NA per AppAsia Share (RM)	0.13	0.13	0.12	0.12
NTA per AppAsia Share (RM)	0.08	0.08	0.07	0.08
Total borrowings (RM)	1,000,000	1,000,000	1,000,000	1,000,000
Gearing (times)	0.06	0.06	0.05	0.04

Notes:

(1) *Taking into consideration the issuance of 12,632,400 new AppAsia Shares at the issue price of RM0.105 per Share pursuant to the Private Placement.*

(2) *After deducting expenses incurred of RM149,200 in relation to the Private Placement.*

(3) *Based on the assumed issue price of RM0.10 per Rights Share and after deducting estimated expenses of RM0.51 million for the corporate exercises, which include the SIS.*

(4) *Arises from the issuance of Warrants pursuant to the Rights Issue of Shares with Warrants. For illustrative purposes, the Warrants are assumed to have a fair value of RM0.0857 based on the Black Scholes Model. Other reserve is created as correspondence entry to the warrants reserve. The warrants reserve will be transferred to the other reserve upon the exercise or expiry of the Warrants.*

(5) *Assuming an exercise price of RM0.13 per Warrant.*

Maximum Scenario

	(Audited) As at 30 September 2013 (RM)	(I) After the Private Placement[(1)] (RM)	(II) After (I) and the Rights Issue of Shares with Warrants (RM)	(III) After (II) and assuming full exercise of the Warrants[(5)] (RM)
Share capital	12,632,400	13,895,640	27,791,280	41,686,920
Share premium	4,167,884	4,081,846[(2)]	3,571,846[(3)]	7,740,538
Warrants reserve	-	-	11,450,007[(4)]	-
Other reserve	-	-	(11,450,007)[(4)]	-
Retained earnings	148,038	148,038	148,038	148,038
Shareholders' funds / NA	**16,948,322**	**18,125,524**	**31,511,164**	**49,575,496**
No. of AppAsia Shares in issue	126,324,000	138,956,400	277,912,800	416,869,200
NA per AppAsia Share (RM)	0.13	0.13	0.11	0.12
NTA per AppAsia Share (RM)	0.08	0.08	0.08	0.09
Total borrowings (RM)	1,000,000	1,000,000	1,000,000	1,000,000
Gearing (times)	0.06	0.06	0.03	0.02

Notes:

(1) *Taking into consideration the issuance of 12,632,400 new AppAsia Shares at the issue price of RM0.105 per Share pursuant to the Private Placement.*

(2) *After deducting expenses incurred of RM149,200 in relation to the Private Placement.*

(3) *Based on the assumed issue price of RM0.10 per Rights Share and after deducting estimated expenses of RM0.51 million for the corporate exercises, which include the SIS.*

(4) *Arises from the issuance of Warrants pursuant to the Rights Issue of Shares with Warrants. For illustrative purposes, the Warrants are assumed to have a fair value of RM0.0824 based on the Black Scholes Model. Other reserve is created as correspondence entry to the warrants reserve. The warrants reserve will be transferred to the other reserve upon the exercise or expiry of the Warrants.*

(5) *Assuming an exercise price of RM0.13 per Warrant.*

8.3 Earnings and EPS

The Rights Issue of Shares with Warrants is not expected to have an immediate material effect on the consolidated earnings and EPS of our Company for the FPE 31 December 2014 as the Rights Issue of Shares with Warrants is only expected to be completed in the first (1st) quarter of 2015 whilst the proceeds to be raised are expected to be utilised within twenty four (24) months from the date of the listing of the Rights Shares. However, the Rights Issue of Shares with Warrants is expected to contribute positively to the future earnings of our Group when the benefits of the utilisation of proceeds are realised.

However, the EPS of our Group shall be correspondingly diluted as a result of the increase in the number of AppAsia Shares in issue pursuant to the issuance of the Rights Shares and the new AppAsia Shares arising from the exercise of the Warrants in the future.

The effect of any exercise of Warrants on our Company's consolidated EPS would be dependent on the returns generated by our Company from the utilisation of proceeds arising from the exercise of the Warrants.

For illustration purposes, assuming the Rights Issue of Shares with Warrants is completed on 1 October 2012, being the commencement for the FYE 30 September 2013, the LPS of our Group shall be as follows:

Minimum Scenario

	(Audited)	**(I)**	**(II)**	**(III)**
	As at 30 September 2013	**After the Private Placement**	**After (I) and the Rights Issue of Shares with Warrants**	**After (II) and assuming full exercise of the Warrants**
Loss attributable to our equity holders (RM)	1,356,453	1,356,453	1,356,453	1,356,453
No. of AppAsia Shares in issue	126,324,000	138,956,400	164,956,400	190,956,400
No. of Warrants in issue	-	-	26,000,000	-
Basic LPS (sen)	1.07	0.98	0.82	0.71
Diluted LPS (sen)	N/A	N/A	0.71	N/A

Note:

N/A *Not applicable as our Company does not have any dilutive potential ordinary shares.*

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Maximum Scenario

	(Audited) As at 30 September 2013	(I) After the Private Placement	(II) After (I) and the Rights Issue of Shares with Warrants	(III) After (II) and assuming full exercise of the Warrants
Loss attributable to our equity holders (RM)	1,356,453	1,356,453	1,356,453	1,356,453
No. of AppAsia Shares in issue	126,324,000	138,956,400	277,912,800	416,869,200
No. of Warrants in issue	-	-	138,956,400	-
Basic LPS (sen)	1.07	0.98	0.49	0.33
Diluted LPS (sen)	N/A	N/A	0.33	N/A

Note:

N/A *Not applicable as our Company does not have any dilutive potential ordinary shares.*

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9. ADDITIONAL INFORMATION

9.1 Steps taken by our Group to improve our financial position

Our Group has recorded losses for the FYEs 30 September 2011 and 2013, the details of which are disclosed in Section 7 of Appendix II of this AP. Taking cognisance of this, our Group is taking measures to enhance our revenue and profitability in a bid to improve our financial position which include the following:

(i) Development of mobile applications

Our Group's entry into the mobile applications business is targeted to expand our existing customer base to include mobile users which is expected to provide our Group with the access to the mobile users market for our Group's future products and/or applications. This is expected to present our Group with a strategic opportunity to increase our revenue stream, which is expected to improve our earnings growth in the future.

Our Group also plans to develop three (3) new products, namely Mobile 2FA, Secure Chat and Localised Search, the details of which are set out in Note (1) of Section 5 of this AP.

Mobile 2FA

The Mobile 2FA will cater to a wide range of customers, which will largely be owners of online secure applications such as financial institutions, Government departments, online shopping providers, email application providers, software-as-a-service providers and generally any business owner that needs a secure online environment for their customers to perform business transactions. The Mobile 2FA is targeted for use by the users of our Group's customers for identity authentication and the relevant types of online services will, amongst others, include online banking for financial institutions and online shopping and e-commerce portals for small and medium enterprises.

The development of the Mobile 2FA is expected to commence in the first (1st) quarter of 2015. Barring any unforeseen circumstances, the Mobile 2FA is expected to be commercialised in the second (2nd) half of 2015 and contributes positively to the future earnings of our Group. Nonetheless, our Group's financial position is not dependent on the successful commercialisation of Mobile 2FA in view of the expected development and commercialisation of Secure Chat and Localised Search as well as other measures taken by our Group as detailed in items (ii) and (iii) below. In the event the Mobile 2FA could not be commercialised by the second (2nd) half of 2015, it will not have material adverse impact on our Group's financial position, save for the loss of revenue which could have been generated from the commercialisation of the Mobile 2FA.

Secure Chat

The Secure Chat will be targeted at users who require a secure mobile messaging system, where chats are conducted in a secure and private environment, with options to delete or disable message trails. This mobile application would be suited to users who communicate via chat messages on matters that are confidential and sensitive in nature, and would typically include senior corporate personnel, high ranking Government officials and individuals with a general preference for a secure chat network.

As most commercially available messaging systems are available free of charge but are delivered through unsecured networks, the Secure Chat, with its added security features, will be positioned as a premium alternative messaging system.

The development of the Secure Chat is expected to commence in the first (1^{st}) quarter of 2015.

Localised Search

The Localised Search will be targeted at all consumers, or the public at-large, who will have access to the mobile application at no cost, i.e. they will be able to download the mobile application to their mobile devices for free.

Our Group intends to sign-up advertisers (e.g. all merchants, including small business owners, home business operators and freelancers), who will provide a wide range of products and services, as the more products and services it features, the larger its user base will become and this will enable our Group to reach critical mass. Such advertisers will be able to advertise their products and services to the public for a minimal monthly fee.

The development of the Localised Search is expected to commence in the first (1^{st}) quarter of 2015.

Our Group expects to generate additional revenue upon commercialisation of the above products (i.e. Mobile 2FA in second (2^{nd}) half of 2015 and Secure Chat and Localised Search in first (1^{st}) quarter of 2016) which is expected to improve our financial position in the future.

(ii) Expansion of our Group's business to Middle East region

Our Group has expanded into the Middle East region through the increased offering of our Group's services via establishment of an office with designated personnel responsible for liaison with potential customers in the Middle East region. Our Group has generated revenue from the Middle East region since October 2013.

In addition, our Group is currently in discussion with several potential customers for contracts on the trading of items and/or parts in relation to the MSS in the Middle East region. Our management expects to secure long term service contracts in the region which will generate additional revenue for our Group.

(iii) MIS

Our Group's MIS was set up to provide, deliver, install, configure, test and commission network, infrastructure and data center projects. This setup allows our Group to ensure that the level of service provided to each customer is in accordance with the service level agreements entered into with each of our Group's customer.

Currently, our Group has contracts with its six (6) major customers, namely Malayan Banking Berhad, Petroliam Nasional Berhad, Kenanga Investment Bank Berhad, Multimedia Development Corporation, Al-Rajhi Banking & Investment Corporation (Malaysia) Berhad and the Selangor WiFi project. Our Group is currently focusing in promoting this service via various marketing activities and is in discussion with few potential customers which upon securement are expected to generate additional revenue for our Group.

In order to maintain our competency in the market, our Group shall continue to upgrade our SOC to ensure that the level of service provided to each customer is in accordance with the service level agreements entered into with each of our customers.

9.2 Impact of the Rights Issue of Shares with Warrants to our Group and value creation to our Group and our shareholders

Our Company had completed the Private Placement on 28 January 2014 ("**Listing Date**"), which raised total gross proceeds of approximately RM1.33 million earmarked as detailed in the table below. As at 30 June 2014, our Group has utilised approximately RM0.69 million in the following manner:

Descriptions	Amount raised from Private Placement (RM'000)	Amount utilised as at 30 June 2014 (RM'000)	Amount unutilised as at 30 June 2014 (RM'000)	Expected time frame for utilisation of proceeds (from the Listing Date)
Working capital				
– Secured Cloud Data Center setup	650	540	110	Within 12 months
– MIS setup	306	-	306	Within 12 months
– R&D funding for AtomOS Kwick Key	121	-	121	Within 12 months
– Funding to engage overseas markets	100	-	100	Within 12 months
Expenses in relation to the Private Placement	149	149	-	-
Total	**1,326**	**689**	**637**	

In view that the above proceeds have been earmarked for the above purposes, the funds to be raised from the Rights Issue of Shares with Warrants will enable our Group to fund the R&D for new products by leveraging on our existing technologies and expertise in ICT security, which is expected to enable our Group to tap into a wider range of customer base (i.e., corporate, enterprises and consumers) and provide an additional source of income to our Group in the future, thus improving the financial position of our Group and enhance our shareholders' value. The Rights Issue of Shares with Warrants will also enable our Group to raise funds for the purchase of production and operation equipments to expand our existing MSS and MIS businesses.

In addition, the Rights Issue of Shares with Warrants will enable our Group to tap into the equity market to raise fund expeditiously to support the funding requirements as mention in Section 5 of this AP for the R&D of new products, purchase of production and operation equipment and day-to-day operations requirements.

As stated in Section 8 of this AP, the Rights Issue of Shares with Warrants is expected to increase the issued and paid-up share capital and the NA of our Company. The increase in the number of AppAsia Shares pursuant to the Rights Issue of Shares with Warrants will have a dilutive impact on the EPS and shareholdings of our existing shareholders in the event that they do not subscribe for their entitlements in full. Despite the said dilutive effect, the Rights Issue of Shares with Warrants is expected to have a positive impact on the earnings of our Group by providing us with necessary funding to embark on the above mentioned purposes, which is expected to provide new source of income and cash flow to our Group. In addition, the Rights Issue of Shares with Warrants will enable our Group to raise funds without incurring interest cost as opposed to bank borrowings, which will directly enhance the shareholders' value.

Premised on the above and after taking into consideration the steps taken by our Group to improve our financial position as mentioned above and the proposed utilisation of proceeds raised from the Rights Issue of Shares with Warrants as set out in Section 5 of this AP, our management is of the view that the Rights Issue of Shares with Warrants is adequate to address our Group's current financial concerns.

10. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

10.1 Working capital

Our Board is of the opinion that after taking into consideration the proceeds from the Rights Issue of Shares with Warrants, cash in hand, funds generated from our operation and banking facilities available, our Group will have adequate working capital for the next twelve (12) months from the date of this AP.

10.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of RM0.50 million, all of which are interest-bearing and from local financial institutions, details of which are as follows:

	As at the LPD (RM'000)
Long-term borrowings:	
Secured	
Term loan	500

There is no non-interest bearing and foreign currency denominated borrowings as at the LPD.

There was no default on payment of either interest or principal sums in respect of any borrowing, throughout the past one (1) FYE 30 September 2013, and the subsequent financial period up to the LPD.

10.3 Contingent liabilities

Save for the claims as detailed in Section 4 of Appendix VII, as at the LPD, our Board is not aware of any contingent liability incurred or known to be incurred by our Company or our Group, which upon becoming enforceable, may have a material impact on the financial position of our Group.

10.4 Material commitments

Save as disclosed below, as at the LPD, our Board is not aware of any material commitment incurred or known to be incurred by our Company or our Group, which upon becoming enforceable, may have material impact on the financial position of our Group:

(a) Operating lease commitments as lessee

The future minimum lease payments payable under non-cancellable operating leases are:

	As at the LPD (RM'000)
Within one (1) year	724
Later than one (1) year but not later than two (2) years	905
Later than two (2) years but not later than five (5) years	-
Later than five (5) years	-

(b) Leasing arrangements

Our Group leases a number of computer equipment software under non-cancellable operating lease agreements. The lease term is three (3) years. None of the leases includes contingent rentals.

Our Group intends to satisfy the abovementioned material commitments via internally-generated funds and/or bank borrowings.

11. TERMS AND CONDITIONS

The issuance of the Rights Shares with Warrants pursuant to the Rights Issue of Shares with Warrants is governed by the terms and conditions as set out in this AP, the Deed Poll, the NPA and the RSF enclosed herewith.

12. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully
For and behalf of the Board of
APPASIA BERHAD
(formerly known as Extol MSC Berhad)

WONG NGAI PEOW
Executive Director

CERTIFIED TRUE EXTRACT OF THE RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS PASSED AT OUR EGM HELD ON 15 NOVEMBER 2014

CERTIFIED TRUE COPY
TAN TONG LANG
COMPANY SECRETARY
MAICSA 7045482

20 NOV 2014

EXTOL MSC BERHAD
(Company No. 643683-U)
(Incorporated in Malaysia)

EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF EXTOL MSC BERHAD HELD ON 15 NOVEMBER, 2014

IT IS HEREBY RESOLVED:-

ORDINARY RESOLUTION 1
PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 138,956,400 NEW ORDINARY SHARES OF RM0.10 EACH IN EXTOL ("EXTOL SHARES") ("RIGHTS SHARES") TOGETHER WITH UP TO 138,956,400 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) RIGHTS SHARE TOGETHER WITH ONE (1) WARRANT FOR EVERY ONE (1) EXISTING EXTOL SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS")

"THAT subject to the approvals of all relevant parties and/or authorities being obtained (where required), the Board be and is hereby authorised:

(i) to provisionally issue and allot by way of a renounceable rights issue of up to 138,956,400 Rights Shares together with up to 138,956,400 Warrants on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) existing Extol Share held by the shareholders of Extol whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later by the Board;

(ii) to determine the final issue price of the Rights Shares after taking into consideration the following:

  (a) the theoretical ex-all price ("**TEAP**") of Extol Shares based on the five (5)-day volume weighted average market price ("**5D-VWAP**") of Extol Shares immediately preceding the price fixing date;

  (b) a discount to the TEAP of Extol Shares (based on the 5D-VWAP of Extol Shares immediately preceding the price fixing date) of between 20% and 50%;

  (c) the prevailing market sentiments at the point of price fixing;

  (d) the par value of Extol Shares of RM0.10 each; and

  (e) the funding requirements of Extol and its subsidiaries, details of which are set out in Section 3 of Part A of the circular to shareholders dated 24 October 2014 ("**Circular**");

(iii) to determine the final exercise price of the Warrants after taking into consideration the following:

  (a) the theoretical ex-rights price ("**TERP**") of Extol Shares based on the 5D-VWAP of Extol Shares immediately preceding the price fixing date;

  (b) a discount to the TERP of Extol Shares (based on the 5D-VWAP of Extol Shares immediately preceding the price fixing date) of between 20% and 50%;

  (c) the prevailing market sentiments; and

  (d) the par value of Extol Shares of RM0.10 each;

CERTIFIED TRUE EXTRACT OF THE RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS PASSED AT OUR EGM HELD ON 15 NOVEMBER 2014 (*CONT'D*)

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(iv) to enter into and execute the deed poll in relation to the Proposed Rights Issue of Shares with Warrants ("**Deed Poll**") and to do all acts, deeds and things as they may deem fit or expedient in order to implement, finalise and give full effect to the aforesaid Deed Poll; and

(v) to utilise the proceeds to be derived from the Proposed Rights Issue of Shares with Warrants in the manner as set out in Section 3 of Part A of the Circular and to vary the manner and/or purpose of utilisation of such proceeds as they may deem fit and in the best interest of the Company.

THAT the Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the entitled shareholders and/or their renouncee(s) (if applicable) and such excess Rights Shares with Warrants shall be allocated in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company.

THAT such Warrants are constituted by the terms and conditions of the Deed Poll.

THAT the Company shall allot and issue such appropriate number of new Extol Shares arising from the exercise by the holders of Warrants in accordance with the provisions of the Deed Poll.

THAT the Rights Shares and the new Extol Shares to be issued arising from the exercise of the Warrants shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing Extol Shares, save and except that the Rights Shares and the new Extol Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of issuance and allotment of the Rights Shares and the new Extol Shares arising from the exercise of the Warrants.

AND THAT the Board be and is hereby authorised to take all such necessary steps to give full effect to the Proposed Rights Issue of Shares with Warrants with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, and to take all steps and to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue of Shares with Warrants."

<u>ORDINARY RESOLUTION 2</u>
PROPOSED ESTABLISHMENT OF A SHARE ISSUANCE SCHEME ("SIS") OF UP TO THIRTY PERCENT (30%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY (EXCLUDING TREASURY SHARES, IF ANY) AT ANY ONE TIME DURING THE DURATION OF THE SCHEME FOR THE ELIGIBLE DIRECTORS AND EMPLOYEES OF EXTOL AND ITS SUBSIDIARIES ("EXTOL GROUP") (EXCLUDING DORMANT SUBSIDIARIES) ("PROPOSED SIS")

"THAT subject to the provisions of the Companies Act, 1965, approval be and is hereby given for the Company and the Directors of the Company to:

(i) establish and administer the Proposed SIS which involves the granting of options to all eligible persons of the Extol Group including Directors of the Group (excluding dormant subsidiaries) who meet the criteria of eligibility for participation of the Proposed SIS ("**Eligible Persons**") as set out in the By-Laws, a draft of which is set out in Appendix II of the Circular ("**By-Laws**");

(ii) allot and issue from time to time such number of new Extol Shares as may be required to be issued pursuant to the exercise of the options under the Proposed SIS provided that the aggregate number of Extol Shares to be allotted and issued shall not exceed thirty percent (30%) of the issued and paid-up share capital of the Company (excluding treasury shares, if any) at any one time during the duration of the scheme;

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(iii) make necessary applications, and to do all things necessary at the appropriate time or times, to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the new Extol Shares which may from time to time be allotted and issued pursuant to the Proposed SIS and such new Extol Shares will, upon issuance, allotment and full payment, rank *pari passu* in all respects with the then existing issued and paid-up shares of the Company save and except that the new Extol Shares will not be entitled to any dividends, rights, allotments or any other distributions, the entitlement date of which is prior to the date of issuance and allotment of such new Extol Shares; and

(iv) modify and/or amend the Proposed SIS from time to time provided that such modifications and/or amendments are effected in accordance with the By-Laws relating to modifications and/or amendments and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Proposed SIS;

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed SIS with full power to modify and/or amend the By-Laws from time to time as may be required or deemed necessary in accordance with the provisions of the By-Laws relating to amendments and/or modifications and to assent to any condition, variation, modification and/or amendment as may be necessary or expedient and/or imposed by and/or agreed with the relevant authorities."

ORDINARY RESOLUTION 3
PROPOSED GRANTING OF OPTIONS TO DATO' RAHADIAN MAHMUD BIN MOHAMMAD KHALIL

"THAT, subject to the passing of Ordinary Resolution 2 above, the Directors of the Company be and are hereby authorised, at any time and from time to time during the existence of the Proposed SIS, to offer and grant to Dato' Rahadian Mahmud Bin Mohammad Khalil, being the Independent Non-Executive Chairman of the Company, options to subscribe for new Extol Shares ("**SIS Options**") and if such options are accepted and exercised, to allot and issue such number of new Extol Shares as may be required to be issued to him under the Proposed SIS, in accordance with the provisions of the By-Laws, provided that not more than ten percent (10%) of the total number of SIS Options shall be allocated to Dato' Rahadian Mahmud Bin Mohammad Khalil, as long as Dato' Rahadian Mahmud Bin Mohammad Khalil either singly or collectively through persons connected with him (as defined in the Listing Requirements of Bursa Securities), holds twenty percent (20%) or more of the issued and paid-up share capital of Extol (excluding treasury shares, if any) subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws."

ORDINARY RESOLUTION 4
PROPOSED GRANTING OF OPTIONS TO TOH HONG CHYE

"THAT, subject to the passing of Ordinary Resolution 2 above, the Directors of the Company be and are hereby authorised, at any time and from time to time during the existence of the Proposed SIS, to offer and grant to Toh Hong Chye, being the Executive Director of the Company, options to subscribe for new Extol Shares and if such options are accepted and exercised, to allot and issue such number of new Extol Shares as may be required to be issued to him under the Proposed SIS, in accordance with the provisions of the By-Laws, provided that not more than ten percent (10%) of the total number of SIS Options shall be allocated to Toh Hong Chye, as long as Toh Hong Chye either singly or collectively through persons connected with him (as defined in the Listing Requirements of Bursa Securities), holds twenty percent (20%) or more of the issued and paid-up share capital of Extol (excluding treasury shares, if any) subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws."

CERTIFIED TRUE EXTRACT OF THE RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS PASSED AT OUR EGM HELD ON 15 NOVEMBER 2014 (*CONT'D*)

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ORDINARY RESOLUTION 5
PROPOSED GRANTING OF OPTIONS TO WONG NGAI PEOW

"THAT, subject to the passing of Ordinary Resolution 2 above, the Directors of the Company be and are hereby authorised, at any time and from time to time during the existence of the Proposed SIS, to offer and grant to Wong Ngai Peow, being the Executive Director of the Company, options to subscribe for new Extol Shares and if such options are accepted and exercised, to allot and issue such number of new Extol Shares as may be required to be issued to him under the Proposed SIS, in accordance with the provisions of the By-Laws, provided that not more than ten percent (10%) of the total number of SIS Options shall be allocated to Wong Ngai Peow, as long as Wong Ngai Peow either singly or collectively through persons connected with him (as defined in the Listing Requirements of Bursa Securities), holds twenty percent (20%) or more of the issued and paid-up share capital of Extol (excluding treasury shares, if any) subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws."

ORDINARY RESOLUTION 6
PROPOSED GRANTING OF OPTIONS TO DATO' LAI WEN SHIAN

"THAT, subject to the passing of Ordinary Resolution 2 above, the Directors of the Company be and are hereby authorised, at any time and from time to time during the existence of the Proposed SIS, to offer and grant to Dato' Lai Wen Shian, being the Non-Independent Non-Executive Director of the Company, options to subscribe for new Extol Shares and if such options are accepted and exercised, to allot and issue such number of new Extol Shares as may be required to be issued to him under the Proposed SIS, in accordance with the provisions of the By-Laws, provided that not more than ten percent (10%) of the total number of SIS Options shall be allocated to Dato' Lai Wen Shian, as long as Dato' Lai Wen Shian either singly or collectively through persons connected with him (as defined in the Listing Requirements of Bursa Securities), holds twenty percent (20%) or more of the issued and paid-up share capital of Extol (excluding treasury shares, if any) subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws."

ORDINARY RESOLUTION 7
PROPOSED GRANTING OF OPTIONS TO LOW KIM LENG

"THAT, subject to the passing of Ordinary Resolution 2 above, the Directors of the Company be and are hereby authorised, at any time and from time to time during the existence of the Proposed SIS, to offer and grant to Low Kim Leng, being the Non-Independent Non-Executive Director of the Company, options to subscribe for new Extol Shares and if such options are accepted and exercised, to allot and issue such number of new Extol Shares as may be required to be issued to him under the Proposed SIS, in accordance with the provisions of the By-Laws, provided that not more than ten percent (10%) of the total number of SIS Options shall be allocated to Low Kim Leng, as long as Low Kim Leng either singly or collectively through persons connected with him (as defined in the Listing Requirements of Bursa Securities), holds twenty percent (20%) or more of the issued and paid-up share capital of Extol (excluding treasury shares, if any) subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws."

CERTIFIED TRUE EXTRACT OF THE RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS PASSED AT OUR EGM HELD ON 15 NOVEMBER 2014 (*CONT'D*)

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ORDINARY RESOLUTION 8
PROPOSED GRANTING OF OPTIONS TO TAN FIE JEN

"THAT, subject to the passing of Ordinary Resolution 2 above, the Directors of the Company be and are hereby authorised, at any time and from time to time during the existence of the Proposed SIS, to offer and grant to Tan Fie Jen, being the Independent Non-Executive Director of the Company, options to subscribe for new Extol Shares and if such options are accepted and exercised, to allot and issue such number of new Extol Shares as may be required to be issued to him under the Proposed SIS, in accordance with the provisions of the By-Laws, provided that not more than ten percent (10%) of the total number of SIS Options shall be allocated to Tan Fie Jen, as long as Tan Fie Jen either singly or collectively through persons connected with him (as defined in the Listing Requirements of Bursa Securities), holds twenty percent (20%) or more of the issued and paid-up share capital of Extol (excluding treasury shares, if any) subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws."

ORDINARY RESOLUTION 9
PROPOSED GRANTING OF OPTIONS TO NG KOK WAH

"THAT, subject to the passing of Ordinary Resolution 2 above, the Directors of the Company be and are hereby authorised, at any time and from time to time during the existence of the Proposed SIS, to offer and grant to Ng Kok Wah, being the Independent Non-Executive Director of the Company, options to subscribe for new Extol Shares and if such options are accepted and exercised, to allot and issue such number of new Extol Shares as may be required to be issued to him under the Proposed SIS, in accordance with the provisions of the By-Laws, provided that not more than ten percent (10%) of the total number of SIS Options shall be allocated to Ng Kok Wah, as long as Ng Kok Wah either singly or collectively through persons connected with him (as defined in the Listing Requirements of Bursa Securities), holds twenty percent (20%) or more of the issued and paid-up share capital of Extol (excluding treasury shares, if any) subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws."

ORDINARY RESOLUTION 10
PROPOSED GRANTING OF OPTIONS TO YONG MAI FANG

"THAT, subject to the passing of Ordinary Resolution 2 above, the Directors of the Company be and are hereby authorised, at any time and from time to time during the existence of the Proposed SIS, to offer and grant to Yong Mai Fang, being the Group Accountant of the Company, options to subscribe for new Extol Shares and if such options are accepted and exercised, to allot and issue such number of new Extol Shares as may be required to be issued to her under the Proposed SIS, in accordance with the provisions of the By-Laws, provided that not more than ten percent (10%) of the total number of SIS Options shall be allocated to Yong Mai Fang, as long as Yong Mai Fang either singly or collectively through persons connected with her (as defined in the Listing Requirements of Bursa Securities), holds twenty percent (20%) or more of the issued and paid-up share capital of Extol (excluding treasury shares, if any) subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws."

CERTIFIED TRUE EXTRACT OF THE RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS PASSED AT OUR EGM HELD ON 15 NOVEMBER 2014 (*CONT'D*)

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ORDINARY RESOLUTION 11
PROPOSED CHANGE OF AUDITORS

"THAT Messrs. UHY (AF 1411) be and are hereby appointed as the Auditors of the Company in place of Messrs. CAS & Associates (AF 1476) who has resigned as the Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

Director
TOH HONG CHYE

Secretary
Tan Tong Lang
(MAICSA 7045482)

Dated: 15/11/2014

INFORMATION ON OUR COMPANY

1. HISTORY AND BUSINESS

We were incorporated in Malaysia as a private limited company under the Act on 27 February 2004 under the name of Extol Holdings Sdn Bhd and were converted into a public limited company on 30 September 2004 and assumed the name of Extol Holdings Berhad. Our company subsequently changed our name to Extol MSC Berhad on 25 November 2004 and AppAsia Berhad on 17 November 2014.

We were listed on the MESDAQ Market of Bursa Securities *(now known as the ACE Market of Bursa Securities)* on 20 March 2006.

The principal activities of our Company are R&D and sale of ICT security systems and provision of related professional services which are directly and indirectly linked to ICT and investment holding. Our subsidiary companies are involved in the provision of sale and R&D of security technology, security maintenance and professional security services and training, trading of computer hardware, software related equipment, software development and trading in software products, intellectual property rights and related services as well as information technology systems and applications development related business.

Further details of the principal activities of our subsidiary companies are set out in Section 6 of this Appendix.

2. SHARE CAPITAL

Our authorised and issued and paid-up share capital as at the LPD are as follows:

Type	No. of AppAsia Shares	Par value RM	Total RM
Authorised share capital	1,000,000,000	0.10	100,000,000
Issued and paid-up share capital	138,956,400	0.10	13,895,640

The changes in our issued and paid-up share capital for the past three (3) years up to the LPD are as follows:

Date of allotment	No. of Shares alloted	Par value RM	Description	Cumulative issued and paid-up share capital RM
15 February 2012	10,440,000	0.10	Private placement	11,484,000
22 May 2012	11,484,000	0.10	Private placement	12,632,400
27 January 2014	12,632,400	0.10	Private placement	13,895,640

3. BOARD DIRECTORS

Please refer to the Corporate Directory on page 1 of this AP for details of the age, professions, nationalities, designations and addresses of our Board.

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4. **DIRECTORS' SHAREHOLDINGS**

The pro forma effects of the Rights Issue of Shares with Warrants on the shareholdings of our Directors based on their shareholdings as at the LPD are as follows:

Minimum Scenario

	As at the LPD				(I) After the Rights Issue of Shares with Warrants				(II) After (I) and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%
Dato' Rahadian Mahmud Bin Mohammad Khalil	-	-	-	-	-	-	-	-	-	-	-	-
Toh Hong Chye	-	-	-	-	-	-	-	-	-	-	-	-
Wong Ngai Peow	2	*Neg*	-	-	2	*Neg*	-	-	2	*Neg*	-	-
Dato' Lai Wen Shian	-	-	4,000[(1)]	2.88	-	-	4,000[(1)]	2.42	-	-	4,000[(1)]	2.09
Low Kim Leng	-	-	-	-	-	-	-	-	-	-	-	-
Tan Fie Jen	400	0.29	-	-	400	0.24	-	-	400	0.21	-	-
Ng Kok Wah	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

Neg *Negligible*

(1) *Deemed interested by virtue of his equity interest in Crystal Privilege Sdn Bhd.*

INFORMATION ON OUR COMPANY (*CONT'D*)

Maximum Scenario

Name	As at the LPD				(I) After the Rights Issue of Shares with Warrants				(II) After (I) and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%
Dato' Rahadian Mahmud Bin Mohammad Khalil	-	-	-	-	-	-	-	-	-	-	-	-
Toh Hong Chye	-	-	-	-	-	-	-	-	-	-	-	-
Wong Ngai Peow	2	*Neg*	-	-	3	*Neg*	-	-	5	*Neg*	-	-
Dato' Lai Wen Shian	-	-	4,000[(1)]	2.88	-	-	8,000[(1)]	2.88	-	-	12,000[(1)]	2.88
Low Kim Leng	-	-	-	-	-	-	-	-	-	-	-	-
Tan Fie Jen	400	0.29	-	-	800	0.29	-	-	1,200	0.29	-	-
Ng Kok Wah	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

Neg *Negligible*

(1) *Deemed interested by virtue of his equity interest in Crystal Privilege Sdn Bhd.*

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5. SUBSTANTIAL SHAREHOLDER'S SHAREHOLDING

The pro forma effects of the Rights Issue of Shares with Warrants on the shareholding of our substantial shareholder based on its shareholding as at the LPD are as follows:

Minimum Scenario

	As at the LPD				(I) After the Rights Issue of Shares with Warrants				(II) After (I) and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%
SISB	26,000	18.71	-	-	52,000	31.52	-	-	78,000	40.85	-	-

Maximum Scenario

	As at the LPD				(I) After the Rights Issue of Shares with Warrants				(II) After (I) and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%	No. of AppAsia Shares ('000)	%
SISB	26,000	18.71	-	-	52,000	18.71	-	-	78,000	18.71	-	-

6. SUBSIDIARY AND ASSOCIATED COMPANIES

The details of our subsidiary companies as at the LPD are as follows:

Company	Date and place of incorporation	Principal activities	Issued and paid-up share capital (RM)	Effective equity interest (%)
Extol Corporation Sdn Bhd *(formerly known as Extol Corporation (M) Sdn Bhd)*	7 June 1984, Malaysia	Sales and R&D of security technology, security maintenance and professional security services and training	2,500,000	100
Extol Ventures Sdn Bhd	31 March 2004, Malaysia	Investment holding, trading of computer hardware, software related equipment and software development	1,711,502	100
Extol International Sdn Bhd *(formerly known as Innodium Sdn Bhd)*	24 October 2002, Malaysia	Software development and trading in software products	1,225,000	100
Extol IP Sdn Bhd	9 September 2014, Malaysia	Intellectual property rights and related services	2	100
Extol Apps Sdn Bhd	29 September 2014, Malaysia	Information technology systems and applications development related business	2	100

We do not have any associated companies as at the LPD.

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7. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements from the FYEs 30 September 2011 to 2013 and the unaudited consolidated financial statements for the nine (9)-month periods ended 30 June 2013 and 30 June 2014 are as follows:

	← Unaudited →		← Audited →		
	Nine (9)-month period ended 30 June 2014 (RM'000)	**Nine (9)-month period ended 30 June 2013 (RM'000)**	**FYE 30 September 2013 (RM'000)**	**FYE 30 September 2012 (RM'000)**	**FYE 30 September 2011 (RM'000)**
Revenue	8,652	11,035	13,509	15,120	8,356
GP	851	4,131	4,840	6,857	5,365
Other operating income	147	248	413	248	882
Selling and distribution costs	(266)	(316)	(579)	(540)	(113)
Administrative expenses	(5,639)	(3,961)	(4,115)	(4,269)	(4,261)
Other operating expenses	(4,921)	(801)	(1,942)	(2,093)	(2,405)
Profit / (Loss) from operations	**(9,828)**	**(699)**	**(1,383)**	**204**	**(532)**
Finance costs	-	(15)	(35)	(20)	(79)
PBT / (LBT)	**(9,828)**	**(714)**	**(1,417)**	**184**	**(611)**
Taxation	-	34	61	(112)	(20)
PAT / (LAT)	**(9,828)**	**(680)**	**(1,356)**	**72**	**(631)**
Profit / (Loss) attributable to:					
Equity holders of our Company	(9,828)	(680)	(1,356)	72	(631)
Non-controlling interests	-	-	-	-	-
Net profit / (loss) for the financial year	**(9,828)**	**(680)**	**(1,356)**	**72**	**(631)**
EBITDA / (LBITDA)	(5,571)	289	(72)	1,753	1,134
Weighted average number of Shares in issue ('000)	126,324	126,324	126,324	114,318	104,400
Basic EPS / (LPS) (sen)	(7.78)	(0.54)	(1.07)	0.06	(0.60)
Diluted EPS / (LPS) (sen)	(7.36)	N/A	N/A	N/A	N/A
GP margin (%)	9.84	37.44	35.83	45.35	64.21
PBT / (LBT) margin (%)	(113.59)	(6.47)	(10.49)	1.22	(7.31)
PAT / (LAT) margin (%)	(113.59)	(6.16)	(10.04)	0.48	(7.55)
Dividend (sen)	-	-	-	-	-

Note:

N/A *Not applicable*

(a) Nine (9)-month period ended 30 June 2014 vs. nine (9)-month period ended 30 June 2013

Our Group's revenue decreased by 21.59% from RM11.04 million in the nine (9)-month period ended 30 June 2013 to RM8.65 million in the nine (9)-month period ended 30 June 2014. The decrease in revenue was mainly attributable to the lower sales volume from the provision of MSS during the period under review due to stiff competition in the market.

Our Group's GP margin decreased by 27.60% from 37.44% in the nine (9)-month period ended 30 June 2013 to 9.84% in the nine (9)-month period ended 30 June 2014 was mainly due to lower revenue generated from the provision of MSS which has higher GP margin.

Our Group recorded LAT attributable to the owners of our Company of RM9.83 million for the nine (9)-month period ended 30 June 2014 as compared to the LAT attributable to the owners of our Company of RM0.68 million in the nine (9)-month period ended 30 June 2013 which was mainly attributable to the lower revenue recorded as a result of the above and the following:

(i) impairment of goodwill amounting to RM3.54 million in relation to the following subsidiaries as our management does not foresee any major business development which could realise the value from the respective subsidiaries and expects such subsidiaries to continue making losses in the near future:

		LAT contribution to our Group for the nine (9)-month period ended 30 June 2014		**Goodwill impaired**
Company	**Principal activity**	**RM'000**	**%**	**RM'000**
ECSB	Sales and research and development of security technology, security maintenance and professional security services and training.	1,277	12.99	2,017
EVSB	Investment holding, trading of computer hardware, software related equipment and software development.	1,019	10.37	9
Extol International Sdn Bhd *(formerly known as Innodium Sdn Bhd)*	Software development and software development and trading in software products.	47	0.48	1,515

(ii) written off of the entire product development expenditure amounting to RM2.53 million due to no future economic benefits are expected from the products developed by our Group mainly due to lack of market acceptance for the products to be commercialised successfully; and

(iii) written off of the property, plant and equipment which are unidentifiable amounting to RM0.37 million and no future economic benefits are expected from these assets.

(b) FYE 30 September 2013 vs. FYE 30 September 2012

Our Group's revenue decreased by approximately 10.65% from RM15.12 million in the FYE 30 September 2012 to RM13.51 million in the FYE 30 September 2013. The decrease in revenue was mainly due to lower revenue from the provision of MSS mainly due to stiff competition in the market which resulted in lower sales secured during the FYE 30 September 2013.

Our Group recorded LAT attributable to the owners of our Company of RM1.36 million in the FYE 30 September 2013 as opposed to the PAT attributable to the owners of our Company of RM0.07 million in the FYE 30 September 2012 mainly due to the lower revenue recorded as a result of the above as well as the decrease in our Group's gross profit margin mainly attributable to higher mix of product solutions sold, which had lower margin than our Group's proprietary solutions, namely the e-Passport and MSS during the FYE 30 September 2013.

(c) **FYE 30 September 2012 vs. FYE 30 September 2011**

Our Group's revenue increased by approximately 80.95% from RM8.36 million in the FYE 30 September 2011 to RM15.12 million in the FYE 30 September 2012. The increase in revenue was attributable to the higher contribution of proprietary solutions from overseas as well as local customers as a result of our Company's marketing and promotion efforts to create product awareness. The breakdown of the revenue generated from overseas and local markets is as follows:

	FYE 30 September 2012 (RM'000)	FYE 30 September 2011 (RM'000)
Local	10,965	8,760
Overseas	8,210	2,483
Less: Inter-segment sales	(4,055)	(2,888)
Total revenue	**15,120**	**8,356**

Our Group's GP margin decreased by 18.86% from 64.21% in the FYE 30 September 2011 to 45.35% in the FYE 30 September 2012 was mainly attributable to the increase in revenue contribution from our Group's overseas customers which had lower GP margin as only mix of product solutions (which had lower GP margin) were supplied to the overseas markets whilst the local markets involved the provision of both the mix of product solutions and proprietary solutions (which had higher GP margin).

Our Group recorded PAT attributable to the owners of our Company of RM0.07 million in the FYE 30 September 2012 as opposed to the LAT attributable to the owners of our Company of RM0.63 million in the FYE 30 September 2011 mainly due to the higher revenue recorded as a result of the above. However, the disproportionate increase in our Group's PAT as compared to the revenue for the FYE 30 September 2012 was mainly due to the following:

(i) lower GP margin for the FYE 30 September 2012 as discussed above;

(ii) lower other operating income in the FYE 30 September 2012 as compared to the FYE 30 September 2011 which was mainly due to the receipt of grant from Multimedia Development Corporation of RM0.63 million in the FYE 30 September 2011; and

(iii) higher selling and distribution costs due to the increase in our Group's marketing and promotion efforts resulted in higher marketing-related expenses for our Group.

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8. HISTORICAL PRICES OF APPASIA SHARES

The monthly high and low transacted market prices of AppAsia Shares for the past twelve (12) months are as follows:

	High RM	Low RM
2013		
December	0.115	0.105
2014		
January	0.120	0.105
February	0.290	0.115
March	0.445	0.175
April	0.365	0.205
May	0.290	0.250
June	0.355	0.270
July	0.350	0.280
August	0.340	0.285
September	0.330	0.285
October	0.315	0.250
November	0.355	0.300

Last transacted market price on 10 September 2014 (being the last trading date prior to the Announcement) was RM0.295 per AppAsia Share.

Last transacted market price on 12 November 2014 (being the LPD prior to printing of this AP) was RM0.310 per AppAsia Share.

Last transacted market price on 28 November 2014 (being the last day on which AppAsia Shares were traded prior to the ex-date of the Rights Issue of Shares with Warrants) was RM0.310 per AppAsia Share.

(Source: Bloomberg Finance L.P.)

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Web www.uhy.com.my

Date: 27 NOV 2014

The Board of Directors
AppAsia Berhad
(Formerly known as Extol MSC Berhad)
E-10-4, Megan Avenue 1
Jalan Tun Razak
50400 Kuala Lumpur

Dear Sirs,

APPASIA BERHAD ("APPASIA" OR "THE COMPANY") (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES (COLLECTIVELY KNOWN AS "APPASIA GROUP" OR "THE GROUP") PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

We have completed our assurance engagement to report on the compilation of Pro forma Consolidated Statements of Financial Position of the AppAsia Group as at 30 September 2013, together with the accompanying notes thereto which have been prepared by the Directors of the Company ("Directors").

The Pro forma Consolidated Statements of Financial Position are prepared for illustrative purposes only for inclusion in the Abridged Prospectus to the shareholders of AppAsia in connection with the renounceable rights issue of up to 138,956,400 new ordinary shares of RM0.10 each in AppAsia ("AppAsia Shares" or "Shares") ("Rights Shares") together with up to 138,956,400 free detachable warrants ("Warrants") on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) existing AppAsia Share held ("Rights Issue of Shares with Warrants").

The Pro forma Consolidated Statements of Financial Position have been compiled by the Directors to illustrate the impact of the Rights Issue of Shares with Warrants on the Consolidated Statements of Financial Position of the AppAsia Group as at 30 September 2013 had the Rights Issue of Shares with Warrants been effected on that date, as set out in Appendix A and the accompanying Notes 4 to 10 to the Pro forma Consolidated Statements of Financial Position.

As part of this process, information about the financial position has been extracted by the Directors from the relevant financial statements as at 30 September 2013, on which an audit report has been published.

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The Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Pro forma Consolidated Statements of Financial Position on the basis set out in the accompanying notes thereto.

Our Responsibilities

Our responsibility is to express an opinion about whether the Pro forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis set out in the accompanying notes thereto.

We conducted our engagement in accordance with the International Standard on Assurance Engagements, ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus* issued by the Malaysian Institute of Accountants. This standard requires us to comply with the ethical requirements and plan and perform procedures to obtain reasonable assurance on whether the Directors have compiled, in all material respects, the pro forma financial information on the basis set out in the accompanying notes thereto.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro forma Consolidated Statements of Financial Position.

The purpose of the Pro forma Consolidated Statements of Financial Position included in the Abridged Prospectus of AppAsia in relation to the Rights Issue of Shares with Warrants is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of Pro forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence on whether:

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- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro forma Consolidated Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Pro forma Consolidated Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro forma Consolidated Statements of Financial Position.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(i) the Pro forma Consolidated Statements of Financial Position, which have been prepared by the Directors, have been properly prepared on the basis stated in the accompanying notes in Appendix A to the Pro forma Consolidated Statements of Financial Position using financial statements prepared in accordance with Malaysian Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Company; and

(ii) each material adjustments made to the information used in the preparation of the Pro forma Consolidated Statements of Financial Position is appropriate for the purpose of preparing the Pro forma Consolidated Statements of Financial Position.

Other Matters

This letter has been prepared for the purpose of inclusion in the Abridged Prospectus. Our work had been carried out in accordance with International Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Rights Issue of Shares with Warrants described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Rights Issue of Shares with Warrants.

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Yours faithfully,

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Firm Number: AF 1411
Chartered Accountants

Chan Jee Peng
Approved Number : 3068/08/16(J)
Partner of Firm

Appendix A

APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

Pro forma Consolidated Statements of Financial Position

The pro forma consolidated statements of financial position as set out below are provided for illustrative purposes only to show the effects on the consolidated statements of financial position of the Group as at 30 September 2013 had the Rights Issue of Shares with Warrants been effected on that date, and should be read in conjunction with the notes accompanying the pro forma statements of financial position of the Group.

Minimum Scenario

	Notes	Audited Consolidated Statements of Financial Position as at 30 September 2013	Adjusted Audited Consolidated Statements of Financial Position	Pro forma (I) Rights Issue of Shares with Warrants and utilisation of Proceeds	Pro forma (II) Assuming Warrants fully exercised
		RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	4	590,581	590,581	590,581	590,581
Investment properties		1,378,880	1,378,880	1,378,880	1,378,880
Product development expenditure	5	2,862,997	2,862,997	4,383,997	4,383,997
Goodwill		3,541,003	3,541,003	3,541,003	3,541,003
		8,373,461	8,373,461	9,894,461	9,894,461
CURRENT ASSETS					
Inventories		1,107,033	1,107,033	1,107,033	1,107,033
Trade receivables		2,794,332	2,794,332	2,794,332	2,794,332
Other receivables, deposits and prepayments		754,441	754,441	754,441	754,441
Fixed deposits with licensed banks		981,213	981,213	981,213	981,213
Cash and bank balances	6	5,308,353	6,485,555	7,054,555	10,434,555
		10,945,372	12,122,574	12,691,574	16,071,574
TOTAL ASSETS		**19,318,833**	**20,496,035**	**22,586,035**	**25,966,035**

Appendix A

APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

Pro forma Consolidated Statements of Financial Position (Cont'd)

Minimum Scenario (Cont'd)

	Notes	Audited Consolidated Statements of Financial Position as at 30 September 2013	Adjusted Audited Consolidated Statements of Financial Position	Pro forma (I) Rights Issue of Shares with Warrants and utilisation of Proceeds	Pro forma (II) Assuming Warrants fully exercised
		RM	RM	RM	RM
EQUITY					
Share capital	7	12,632,400	13,895,640	16,495,640	19,095,640
Share premium	8	4,167,884	4,081,846	3,571,846	4,351,846
Other reserve	9	-	-	(2,228,200)	-
Warrant reserve	10	-	-	2,228,200	-
Retained earnings		148,038	148,038	148,038	148,038
		16,948,322	18,125,524	20,215,524	23,595,524
NON-CURRENT LIABILITIES					
Borrowings		500,000	500,000	500,000	500,000
Deferred taxation		113,549	113,549	113,549	113,549
		613,549	613,549	613,549	613,549
CURRENT LIABILITIES					
Trade payables		864,848	864,848	864,848	864,848
Other payables and accruals		306,262	306,262	306,262	306,262
Borrowings		500,000	500,000	500,000	500,000
Provision for taxation		85,852	85,852	85,852	85,852
		1,756,962	1,756,962	1,756,962	1,756,962
TOTAL LIABILITIES		2,370,511	2,370,511	2,370,511	2,370,511
TOTAL EQUITY AND LIABILITIES		**19,318,833**	**20,496,035**	**22,586,035**	**25,966,035**

STAMPED FOR IDENTIFICATION PURPOSES ONLY UHY CHARTERED ACCOUNTANTS (AF 1411)

Appendix A

APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

Pro forma Consolidated Statements of Financial Position (Cont'd)

Minimum Scenario (Cont'd)

			Pro forma (I)	Pro forma (II)
	Audited Consolidated Statements of Financial Position as at 30 September 2013	Adjusted Audited Consolidated Statements of Financial Position	Rights Issue of Shares with Warrants and utilisation of Proceeds	Assuming Warrants fully exercised
	RM	RM	RM	RM
Par value of ordinary shares	0.10	0.10	0.10	0.10
Number of ordinary shares	126.324,000	138.956.400	164.956,400	190.956.400
Net assets	16.948.322	18,125,524	20.215.524	23.595.524
Net assets per share	0.13	0.13	0.12	0.12
Net tangible assets per share	0.08	0.08	0.07	0.08
Borrowings	1.000.000	1.000.000	1.000.000	1,000.000
Gearing (Times)	0.06	0.06	0.05	0.04

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STAMPED FOR IDENTIFICATION PURPOSES ONLY
UHY CHARTERED ACCOUNTANTS (AF 1411)

Appendix A

APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

Pro forma Consolidated Statements of Financial Position

Maximum Scenario

	Notes	Audited Consolidated Statements of Financial Position as at 30 September 2013	Adjusted Audited Consolidated Statements of Financial Position	Pro forma (I) Rights Issue of Shares with Warrants and utilisation of Proceeds	Pro forma (II) Assuming Warrants fully exercised
		RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	4	590,581	590,581	1,741,581	1,741,581
Investment properties		1,378,880	1,378,880	1,378,880	1,378,880
Product development expenditure	5	2,862,997	2,862,997	6,744,997	6,744,997
Goodwill		3,541,003	3,541,003	3,541,003	3,541,003
		8,373,461	8,373,461	13,406,461	13,406,461
CURRENT ASSETS					
Inventories		1,107,033	1,107,033	1,107,033	1,107,033
Trade receivables		2,794,332	2,794,332	2,794,332	2,794,332
Other receivables, deposits and prepayments		754,441	754,441	754,441	754,441
Fixed deposits with licensed banks		981,213	981,213	981,213	981,213
Cash and bank balances	6	5,308,353	6,485,555	14,838,195	32,902,527
		10,945,372	12,122,574	20,475,214	38,539,546
TOTAL ASSETS		19,318,833	20,496,035	33,881,675	51,946,007

Appendix A

APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

Pro forma Consolidated Statements of Financial Position (Cont'd)

Maximum Scenario (Cont'd)

	Notes	Audited Consolidated Statements of Financial Position as at 30 September 2013	Adjusted Audited Consolidated Statements of Financial Position	Pro forma (I) Rights Issue of Shares with Warrants and utilisation of Proceeds	Pro forma (II) Assuming Warrants fully exercised
		RM	RM	RM	RM
EQUITY					
Share capital	7	12,632,400	13,895,640	27,791,280	41,686,920
Share premium	8	4,167,884	4,081,846	3,571,846	7,740,538
Other reserve	9	-	-	(11,450,007)	-
Warrant reserve	10	-	-	11,450,007	-
Retained earnings		148,038	148,038	148,038	148,038
		16,948,322	18,125,524	31,511,164	49,575,496
NON-CURRENT LIABILITIES					
Borrowings		500,000	500,000	500,000	500,000
Deferred taxation		113,549	113,549	113,549	113,549
		613,549	613,549	613,549	613,549
CURRENT LIABILITIES					
Trade payables		864,848	864,848	864,848	864,848
Other payables and accruals		306,262	306,262	306,262	306,262
Borrowings		500,000	500,000	500,000	500,000
Provision for taxation		85,852	85,852	85,852	85,852
		1,756,962	1,756,962	1,756,962	1,756,962
TOTAL LIABILITIES		**2,370,511**	**2,370,511**	**2,370,511**	**2,370,511**
TOTAL EQUITY AND LIABILITIES		**19,318,833**	**20,496,035**	**33,881,675**	**51,946,007**

Appendix A

APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

Pro forma Consolidated Statements of Financial Position (Cont'd)

Maximum Scenario (Cont'd)

	Audited Consolidated Statements of Financial Position as at 30 September 2013	Adjusted Audited Consolidated Statements of Financial Position	Pro forma (I) Rights Issue of Shares with Warrants and utilisation of Proceeds	Pro forma (II) Assuming Warrants fully exercised
	RM	RM	RM	RM
Par value of ordinary shares	0.10	0.10	0.10	0.10
Number of ordinary shares	126,324,000	138,956,400	277,912,800	416,869,200
Net assets	16,948,322	18,125,524	31,511,164	49,575,496
Net assets per share	0.13	0.13	0.11	0.12
Net tangible assets per share	0.08	0.08	0.08	0.09
Borrowings	1,000,000	1,000,000	1,000,000	1,000,000
Gearing (Times)	0.06	0.06	0.03	0.02

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Appendix A

APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

1. Basis of Preparation

The Pro forma Consolidated Statements of Financial Position of AppAsia Group as at 30 September 2013 of which the Directors of AppAsia Group are solely responsible, has been prepared for illustration purposes only, to show the effects on the audited Consolidated Statements of Financial Position of AppAsia Group as at 30 September 2013 had the Rights Issue Shares with Warrants been effected on that date, and should be read in conjunction with the notes accompanying thereto.

The Pro forma Consolidated Statements of Financial Position of AppAsia Group as at 30 September 2013 has been prepared based on the audited Consolidated Statements of Financial Position of AppAsia Group as at 30 September 2013.

The Pro forma Consolidated Statements of Financial Position of AppAsia Group has been prepared in a manner consistent with both the format of the financial statements and the accounting policies of AppAsia as disclosed in the AppAsia's audited consolidated financial statements for the financial year ended 30 September 2013, which have been prepared by the Directors in accordance with the Financial Reporting Standards in Malaysia.

2. Adjusted Audited Consolidated Statement of Financial Position

Adjusted Consolidated Statement of Financial Position as at 30 September 2013 incorporated the effects of subsequent event that has a financial impact to the Consolidated Statement of Financial Position of AppAsia Group after 30 September 2013 involving private placement of 12,632,400 new AppAsia Shares of RM0.10 each which represents 10% of the issued and paid-up share capital of the Company ("Private Placement") at an issue price at RM0.105 per placement share.

On 28 January 2014, the issued and paid-up share capital of the Company increased to RM13,895,640 comprising of 138,956,400 ordinary shares of RM0.10 each with the completion of the Private Placement.

3. Corporate Exercise

The Pro forma Consolidated Statements of Financial Position of the Group has been prepared assuming the Rights Issue of Shares with Warrants is affected as at 30 September 2013. The Rights Issue of Shares with Warrants to be undertaken by AppAsia Group comprise the followings:-

STAMPED FOR IDENTIFICATION PURPOSES ONLY
UHY CHARTERED ACCOUNTANTS (AF 1411)

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APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

3.1 Pro forma I- Rights Issue of Shares with Warrants and utilisation of Proceeds

The Pro forma I incorporates the effect of the Rights Issue of Shares with Warrants and utilisation of Proceeds.

The Pro forma consolidated statements of financial position of AppAsia are presented into two (2) scenarios as follows:-

Minimum Scenario : Rights issue of minimum subscription basis of 26,000,000 Rights Shares together with 26,000,000 Warrants on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) existing AppAsia Share held at an issue price of RM0.10 per Rights Share; and

Maximum Scenario : Rights issue of up to 138,956,400 Rights Shares together with up to 138,956,400 Warrants on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) existing AppAsia Share held at an issue price of RM0.10 per Rights Share

The fair value of each Warrant is assumed to be RM0.0857 and RM0.0824 under the Minimum Scenario and Maximum Scenario respectively based on the Black-Scholes option pricing model extracted from Bloomberg.

The proceeds arising from the Rights Issue of Shares with Warrants ("Proceeds") amounting to RM2.60 million under the Minimum Scenario and RM13.90 million under the Maximum Scenario are proposed to be utilised as follows:-

	Notes	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Expected time frame for utilisation of proceeds (from the date of listing of the Rights Shares)
Research and development ("**R&D**") for new products	(1)	1,521	3,882	Within 24 months
Purchase of production and operation equipments	(2)	-	1,151	Within 24 months
Working capital	(3)	569	8,353	Within 24 months
Estimated expenses in relation to the corporate exercises	(4)	510	510	Within 2 weeks
Total estimated proceeds		2,600	13,896	

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APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

3.1 Pro forma I- Rights Issue of Shares with Warrants and utilisation of Proceeds (Cont'd)

Notes:

*(1) The AppAsia Group is principally involved in the sales and R&D of information and communications technology ("**ICT**") security systems and the provision of professional services which are in relation to ICT such as security maintenance and professional security services and training.*

By leveraging on the AppAsia Group's existing technologies and expertise in ICT security, the AppAsia Group intends to utilise up to RM3.88 million of the proceeds to fund the R&D for the following applications to expand its customer base to include smartphone users in view of its growing size:

Description	***Minimum Scenario (RM'000)***	***Maximum Scenario (RM'000)***
*(a) Mobile Two (2)-Factor Authentication ("**Mobile 2FA**")*	*1,521*	*1,521*
(b) Secure Chat and Localised Search	*-*	*2,361*
Total	***1,521***	***3,882***

(a) The Mobile 2FA (final name of the application to be confirmed prior to commercialisation) is derived from the AppAsia Group's current e-Passport application, which is a two (2)-factor authentication product for enterprise users and currently used by its corporate customers. Two (2)-factor authentication is a security process in which the user of an online application or portal, such as online banking, online shopping and online Government services, provides two (2) means of identification, one (1) of which is typically something memorised, such as a username and password, and the other which is a physical token. Physical tokens are portable devices from which the user receives a new/different unique password for each transaction.

*The features of the Mobile 2FA are the same as the e-Passport, with the exception that Mobile 2FA which will be developed as a software-as-a-service ("**SaaS**") and can be integrated with multiple online applications, as opposed to e-Passport which is customised for use within a particular enterprise. SaaS is a software distribution model in which applications are hosted by the Group or service provider and made available to consumers over a public or private network.*

The development of the Mobile 2FA will be leveraging on the AppAsia Group's technologies used in e-Passport, i.e. the authentication algorithm and framework, and further enhanced into a security mobile application targeted at the mass consumer market with the following features which e-Passport does not provide:

- *single mobile application for all two (2)-factor authentication needs, as the Mobile 2FA will be integrated with multiple online service providers;*
- *one (1) user identification profile for multiple sign-on needs;*
- *easy integration with various back-end systems of the AppAsia Group's potential customers using secured service-oriented architecture communication platform which is independent of any vendor, product or technology and allows computers connected over a network to communicate via a protocol;*
- *adaptable to most mobile devide operating systems and platforms, i.e. Apple's iOS, Google's Android and Microsoft's Windows; and*
- *inclusive of both mobile passcode and encrypted three (3)-dimensional barcode as authentication features.*

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APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

3.1 Pro forma I- Rights Issue of Shares with Warrants and utilisation of Proceeds (Cont'd)

The Mobile 2FA will cater to a wide range of customers, which will largely be owners of online secure applications such as financial institutions, Government departments, online shopping providers, email application providers, other SaaS providers, and generally any business owner that needs a secure online environment for their customers to perform business transactions. The Mobile 2FA is also targeted for use by the users of the Group's customers for identity authentication and the relevant types of online services will, amongst others, include online banking for financial institutions and online shopping and e-commerce portals for small and medium enterprises.

Customers which require customer-specific configurations for the Mobile 2FA will be charged a one-time installation and setup fee based on the sophistication of their respective requirements and an annual subscription fee based on the number of users signed up for their online services. Whilst, customers which do not require customer-specific configurations, will only be charged with a monthly subscription fee based on the number of users signed up for their online services. A user, or end-customer, who has signed-up for the online services will have access to the Mobile 2FA at no cost, i.e. they will be able to download the application on their mobile devices for free.

The cost of R&D of the Mobile 2FA is estimated to be approximately RM1.521 million. The Group intends to fund the said R&D with the proceeds from the Rights Issue of Shares with Warrants. In the event that the actual cost for the R&D is higher than the estimated cost, the excess cost of R&D of the Mobile 2FA will be funded via the Group's internally generated funds. No other sources of funding have been determined at this juncture. Barring any unforeseen circumstances, the Mobile 2FA is expected to be commercialised in the second (2nd) half of 2015.

Further breakdown of the costs for the R&D of the Mobile 2FA is as follows:

Description	***Minimum Scenario (RM'000)***	***Maximum Scenario (RM'000)***
(aa) R&D staff cost	*1,255*	*1,255*
(bb) Project management, consultant and quality assurance staff cost	*186*	*186*
(cc) Purchase of equipment, hardware, software, patent and trademark	*80*	*80*
Total	***1,521***	***1,521***

(aa) Comprises staff cost for the Group's existing and new software developers, designers and/or programmers who will be responsible for the development, implementation, maintenance and enhancement of the application as well as mobile applications' graphics and designs.

(bb) Comprises staff cost for the Group's existing and new project management, system consultation and quality assurance personnel who will be responsible for the gathering and analysing product requirements, final testing, quality assurance and documentation in relation to the application.

(cc) Comprises payment for the purchase of development and testing equipment which includes, amongst others, one (1) server, seven (7) desktops or laptops, five (5) mobile devices, eight (8) software, one (1) patent and trademark.

In the event that the actual expenses for the R&D of the Mobile 2FA are less than the allocated amount, the excess allocated amount shall be utilised for the development of Secure Chat and Localised Search.

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NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

3.1 Pro forma I- Rights Issue of Shares with Warrants and utilisation of Proceeds (Cont'd)

(b) *Secure Chat (final name of the application to be confirmed prior to commercialisation) is an internet protocol-based secure mobile messaging system with the capability of sending and receiving fully encrypted messages and having communication trails that can be deleted or disabled. Unlike other non-secure mobile messaging systems where messages sent and received are stored and recorded on the mobile application service providers' servers, Secure Chat provides users with the function of deleting these stored messages, and disabling the function of storing and recording any messages which are sent or received. In addition, messages sent or received through Secure Chat are also fully encrypted, which indicates that these messages cannot be read by any third party other than the sender and receiver(s). This minimises the risk of cyber-hacking, hence creating a secure and private environment for the users of Secure Chat.*

The management of the AppAsia Group believes that the Secure Chat will cater for the increasing demand of smartphone users for higher security and/or privacy of the messages transmitted via the mobile messaging system. Barring any unforeseen circumstances, the Secure Chat is expected to be commercialised in the first (1st) quarter of 2016.

The Secure Chat will be targeted at users who require a secure mobile messaging system, where chats are conducted in a secure and private environment, with options to delete or disable message trails. This mobile application would be suited to users who communicate via chat messages on matters that are confidential and sensitive in nature, and would typically include senior corporate personnel, high ranking Government officials and individuals with a general preference for a secure chat network. A monthly subscription fee will be charged to each user who subscribed for the Secure Chat.

Localised Search (final name of the application to be confirmed prior to commercialisation) is a location-based mobile application that will help consumers search for and locate products and services. It is essentially an application-based classified advertisements system which enables merchants to advertise their products and services on the Localised Search, with the added feature of using location-based technology, i.e. the global positioning system to show consumers the nearest location(s) where the products or services are available. Barring any unforeseen circumstances, the Localised Search is expected to be commercialised in the first (1st) quarter of 2016.

The Localised Search will be targeted at all consumers, or the public at-large, and advertisers such as merchants including small business owners, home business operators and freelancers. As the more products and services it features, the larger its user base will become and this will enable the Group to reach critical mass, being the point in which there is sufficient number of adopters for the product to be self-sustainable and able to grow further. The revenue from the Localised Search will solely be from advertisers, whereby they will be able to advertise their products and services to the public on the Localised Search for a monthly fee based on the number of advertisements to be paid to the Group.

Further breakdown of the costs for the R&D of the Secure Chat and Localised Search is as follows:

Description	***Minimum Scenario (RM'000)***	***Maximum Scenario (RM'000)***
(aa) R&D staff cost	-	*1,625*
(bb) Project management, consultant and quality assurance staff cost	-	*328*
(cc) Purchase of equipment, hardware, software, patents and trademarks	-	*408*
Total	-	***2,361***

(aa) *Comprises staff cost for the Group's existing and new software developers, designers and/or programmers who will be responsible for the development, implementation, maintenance and enhancement of the application as well as mobile applications' graphics and designs.*

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APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

3.1 Pro forma I- Rights Issue of Shares with Warrants and utilisation of Proceeds (Cont'd)

(bb) Comprises staff cost for the Group's existing and new project management, consultation and quality assurance personnel who will be responsible for the gathering and analysing product requirements, final testing, quality assurance and documentation in relation to the application.

(cc) Comprises payment for the purchase of development and testing equipment which includes, amongst others, four (4) network and firewall, three (3) servers hardware, twenty (20) laptops, thirteen (13) mobile devices, fifteen (15) software, four (4) patents and trademarks.

The cost of R&D of the Secure Chat and Localised Search will be shared between the Secure Chat and Localised Search and is estimated to be approximately RM2.36 million. The Group intends to fund the R&D for Secure Chat and Localised Search under the Minimum Scenario via the Group's internally generated funds and/or bank borrowings, of which the exact funding composition will be determined by the management of AppAsia Group at a later stage, after taking into consideration of the Group's gearing level, interest cost and internal cash requirements for the business opportunities of the Group. No other sources of funding have been determined at this juncture. In the event that the actual cost for the R&D under the Maximum Scenario is higher than the estimated cost, the excess cost of R&D for Secure Chat and Localised Search will be funded via the Group's internally generated funds.

In the event, that the actual expenses for the R&D of the new products are less than the allocated amount, the excess allocated amount shall be utilised as working capital of the Group. If the actual expenses incurred for the R&D of the new products are higher than the allocated amount, the deficit will be funded out of the portion allocated for the working capital of the Group.

In the event that there is a surplus proceeds from the allocation for the R&D of the new products upon expiry of the expected time frame for utilisation of the said proceeds, i.e. within twenty-four (24) months from the date of listing of the Rights Shares, the surplus allocated amount shall be utilised as working capital of the Group.

However, in the event that there is a change in the type of application to be developed, the proceeds earmarked for the development of the abovementioned applications shall be utilised for the new applications to be identified later, which will be related to, inter-alia, IT security, mobile applications and/or e-commerce applications.

(2) The Group intends to utilise up to RM1.15 million of the proceeds under the Maximum Scenario to purchase production and operation equipments such as six (6) firewall and network devices, four (4) server hardware, forty-two (42) desktops or laptops, fifty-six (56) computer softwares, two (2) Managed Security Services ("MSS") server software and 105 office equipments which include tables, chairs, air-conditioners, etc for the expansion of its existing MSS and Managed Infrastructure Service ("MIS") businesses by increasing the availablity of the equipments with latest technologies to support the Group's services in the MSS and MIS businesses.

In the event that the actual costs for the purchase of production and operation equipment are less than the allocated amount, the excess allocated amount shall be utilised as working capital of the Group. If the actual costs incurred for the purchase of production and operation equipment are higher than the allocated amount, the deficit will be funded out of the portion allocated for the working capital of the Group.

(3) The AppAsia Group intends to utilise up to RM8.35 million of the proceeds for its working capital as follows:

Description		**Minimum Scenario (RM'000)**	**Maximum Scenario (RM'000)**
(a)	Marketing expenses	100	1,200
(b)	Wages and staff benefits	469	3,293
(c)	Other administration and operating expenses	-	3,860
Total		**569**	**8,353**

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APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

3.1 Pro forma I- Rights Issue of Shares with Warrants and utilisation of Proceeds (Cont'd)

(a) Comprise payment for advertising and promotional activities such as developing marketing materials, organising roadshows and creating advertising and promotion programmes to be undertaken by the AppAsia Group. Additional advertising and promotion programmes will be undertaken under the Maximum Scenario for the Group's existing and new products.

(b) Comprise payment of wages, Employees' Provident Fund and Social Security Organisation contributions to the staff of the AppAsia Group. Under the Minimum Scenario, the Group intends to finance most of the payment of wages and staff benefits via internally generated funds.

(c) Comprise payment for server location or cloud hosting fees, rental, audit fees, secretarial fees, electricity, telephone and internet and other sundry expenses for the existing and new business of the Group.

*(4) The estimated expenses consist of professional fees, fees payable to the relevant authorities, expenses to convene the extraordinary general meeting ("**EGM**") and other ancillary expenses. Any surplus or shortfall of proceeds for the estimated expenses in relation to the corporate exercises will be adjusted accordingly to/from the working capital of the Group.*

3.2 Pro forma II- Assuming that the Warrants are fully exercised

Pro forma II incorporates the effect of Pro forma I and assumes that 26,000,000 Warrants are fully exercised under the Minimum Scenario and 138,956,400 Warrants are fully exercised under the Maximum Scenario at an exercise price of RM0.13 per Warrant.

The proceeds to be raised from the exercise of the Warrants shall be utilised for the working capital of the AppAsia Group.

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APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

4 Property, plant and equipment

	Minimum Scenario	Maximum Scenario
As at 30 September 2013	590,581	590,581
Rights Issue of Shares with Warrants and utilisation of Proceeds	-	1,151,000
As per Pro forma I and II	590,581	1,741,581

5 Product development expenditure

	Minimum Scenario	Maximum Scenario
As at 30 September 2013	2,862,997	2,862,997
Rights Issue of Shares with Warrants and utilisation of Proceeds	1,521,000	3,882,000
As per Pro forma I and II	4,383,997	6,744,997

6 Cash and bank balances

	Minimum Scenario	Maximum Scenario
As at 30 September 2013	5,308,353	5,308,353
Adjusted Audited Statements of Financial Position	1,177,202#	1,177,202#
After Adjusted Audited Statements of Financial Position	6,485,555	6,485,555
Rights Issue of Shares with Warrants and utilisation of Proceeds	569,000*	8,352,640*
As per Pro forma I	7,054,555	14,838,195
Assuming Warrants fully exercised	3,380,000	18,064,332
As per Pro forma II	10,434,555	32,902,527

Notes:-

\# *After deducting expenses incurred of RM149,200 in relation to the Private Placement.*

* *After deducting estimated expenses of RM0.51 million for the corporate exercises, which include the share issuance scheme.*

For illustration purposes, the proceeds for working capital is included in cash and bank balances when received.

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APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

7 Share capital

	Minimum Scenario	Maximum Scenario
As at 30 September 2013	12,632,400	12,632,400
Adjusted Audited Statements of Financial Position	1,263,240	1,263,240
After Adjusted Audited Statements of Financial Position	13,895,640	13,895,640
Rights Issue of Shares with Warrants and utilisation of Proceeds	2,600,000	13,895,640
As per Pro forma I	16,495,640	27,791,280
Assuming Warrants fully exercised	2,600,000	13,895,640
As per Pro forma II	19,095,640	41,686,920

8 Share premium

	Minimum Scenario	Maximum Scenario
As at 30 September 2013	4,167,884	4,167,884
Adjusted Audited Statements of Financial Position	(86,038)*	(86,038)*
After Adjusted Audited Statements of Financial Position	4,081,846	4,081,846
Rights Issue of Shares with Warrants and utilisation of Proceeds	(510,000)^	(510,000) ^
As per Pro forma I	3,571,846	3,571,846
Assuming Warrants fully exercised	780,000	4,168,692
As per Pro forma II	4,351,846	7,740,538

Notes:

* *After deducting expenses incurred of RM149,200 in relation to the Private Placement.*

^ *Assuming the estimated expenses of RM0.51 million for the corporate exercises, which include the share issuance scheme.*

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APPASIA BERHAD (FORMERLY KNOWN AS EXTOL MSC BERHAD) AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (CONT'D)

9 Other reserve

	Minimum Scenario	Maximum Scenario
As at 30 September 2013	-	-
Rights Issue of Shares with Warrants and utilisation of Proceeds	(2,228,200)	(11,450,007)
As per Pro forma I	(2,228,200)	(11,450,007)
Assuming Warrants fully exercised	2,228,200	11,450,007
As per Pro forma II	-	-

10 Warrant reserve

	Minimum Scenario	Maximum Scenario
As at 30 September 2013	-	-
Rights Issue of Shares with Warrants and utilisation of Proceeds	2,228,200	11,450,007
As per Pro forma I	2,228,200	11,450,007
Assuming Warrants fully exercised	(2,228,200)	(11,450,007)
As per Pro forma II	-	-

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 SEPTEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON

CERTIFIED TRUE COPY

CHEN VOON HANN
PARTNER
CAS & Associates (AF 1476)
Chartered Accountants
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Bandar Puchong Jaya, 47170 Puchong,
Selangor Darul Ehsan.
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EXTOL MSC BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30 SEPTEMBER 2013

CAS & ASSOCIATES (AF 1476)
Chartered Accountants

EXTOL MSC BERHAD
(Incorporated in Malaysia)

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EXTOL MSC BERHAD
(Incorporated in Malaysia)

CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Dato' Ahmad Bin Ismail Mohd Badaruddin Bin Masodi Mohd Faidzal Bin Ahmad Mahidin Ismawadee Bin Ismail Ku Mun Fong
COMPANY SECRETARIES	:	Wong Wai Foong (f) (MAICSA 7001358) Wong Peir Chyun (f) (MAICSA 7018710)
REGISTERED OFFICE	:	Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.
PRINCIPAL PLACE OF BUSINESS	:	Unit G-1, Ground Floor, Wisma UOA Pantai, No. 11, Jalan Pantai Jaya, 59200 Kuala Lumpur.
AUDITORS	:	CAS & Associates (AF 1476) Chartered Accountants
PRINCIPAL BANKERS	:	Alliance Bank Malaysia Berhad Am Investment Services Berhad HSBC Bank Malaysia Berhad Malayan Banking Berhad

EXTOL MSC BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 30 September 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the research and development and sale of Information Communication Technology (ICT) security systems and provision of related professional services which are directly and indirectly linked to ICT and investment holding.

The principal activities of the subsidiary companies are stated in Note 6 of the notes 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
Loss for the financial year	(1,356,453)	(1,031,757)

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

There was no dividend proposed, paid or declared by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

There were no shares issued during the financial year.

ISSUE OF DEBENTURES

There were no debentures issued during the financial year.

OPTIONS

During the financial year, no share options have been granted.

DIRECTORS

The directors who have held office since the date of the last report and at the date of this report are:

Dato' Ahmad Bin Ismail	
Mohd Badaruddin Bin Masodi	
Mohd Faidzal Bin Ahmad Mahidin	
Ismawadee Bin Ismail	
Ku Mun Fong	
Mohd Fadzli Bin Ibrahim	Retired on 28 March 2013

DIRECTORS' BENEFITS

None of the directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) 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.

During and at the end of the financial year, no arrangements subsisted to which the Company was a party, whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of directors in office at the end of the financial year in the ordinary shares in the Company during the financial year were as follows:

	Number of Ordinary Shares of RM0.10 each			
	Balance as at 01.10.2012	Bought	Sold	Balance as at 30.09.2013
Direct Shareholdings				
Mohd Badaruddin Bin Masodi	10,197,100	1,934,000	-	12,141,100
Mohd Faidzal Bin Ahmad Mahidin	7,003,000	-	(1,000,000)	6,003,000
Ku Mun Fong	2,500,000	-	-	2,500,000
Indirect Shareholdings				
Ku Mun Fong	50,000	-	-	50,000

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY:

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that there were no known bad debts and that no allowance for doubtful debts was necessary; and

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued):

(I) AS AT THE END OF THE FINANCIAL YEAR (continued)

(ii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(b) 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 respect of 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) 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) In the opinion of the directors:

(i) there has not arisen 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; and

(ii) no contingent 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 its obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(d) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(e) There are no contingent liabilities which have arisen since the end of the financial year.

(f) The directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

EVENTS SUBSEQUENT TO THE REPORTING DATE

On 3 October 2013, Hong Leong Investment Bank Berhad ("HLIB"), on behalf of the Company had announced the proposal to undertake a private placement ("Private Placement") of new ordinary shares of RM0.10 each which representing up to 10% of the issued and paid-up share capital of the Company to investor(s) to be identified and at an issue price at RM0.105 per Placement Share.

The Private Placement has been approved by the relevant authorities and is pending for implementation.

AUDITORS

The auditors, CAS & Associates, Chartered Accountants, have indicated their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated
2 0 JAN 2014

DATO' AHMAD BIN ISMAIL
Director

MOHD BADARUDDIN BIN MASODI
Director

EXTOL MSC BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 169 (15) of the Companies Act, 1965

We, DATO' AHMAD BIN ISMAIL and MOHD BADARUDDIN BIN MASODI, being two of the directors of EXTOL MSC BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out pages 10 to 63 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2013 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated
20 JAN 2014

DATO' AHMAD BIN ISMAIL
Director

MOHD BADARUDDIN BIN MASODI
Director

STATUTORY DECLARATION
Pursuant to Section 169 (16) of the Companies Act, 1965

I, MOHD BADARUDDIN BIN MASODI, being the director primarily responsible for the financial management of EXTOL MSC BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 63 are in my opinion 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)
MOHD BADARUDDIN BIN MASODI)
at Puchong in the state of Selangor Darul Ehsan)
on 20 JAN 2014)

MOHD BADARUDDIN BIN MASODI

Before me:

PESURUHJAYA
No: B-232
Nama: CHEONG LAK HOONG
MALAYSIA

Commissioner for Oaths

B-5-13, IOI BOULEVARD,
Jalan Kenari 5, Bandar Puchong Jaya,
47170 Puchong, Selangor.

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CAS ®

CAS & ASSOCIATES (AF1476)
CHARTERED ACCOUNTANTS

Head Office :
B-5-1, IOI Boulevard, Jalan Kenari 5,
Bandar Puchong Jaya, 47170 Puchong,
Selangor Darul Ehsan.
Tel : 603 - 8075 2300/80/81
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Website : www.cas.net.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

EXTOL MSC BERHAD (Company No.: 643683-U)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of EXTOL MSC BERHAD, which comprise the statements of financial position as at 30 September 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flow of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 62.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's and the Company's preparation of the financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CAS ®

EXTOL MSC BERHAD (Company No.: 643683-U)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 September 2013 and of their financial performance and 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 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

c) The auditor's reports on the financial statements of the subsidiaries were not subject to any qualification did not include any comment required to be made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 33 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on the Special matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

CAS®

EXTOL MSC BERHAD (Company No.: 643683-U)
(Incorporated in Malaysia)

Other Matters

1. As stated in Note 2 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 October 2012 with a transition date of 1 October 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 30 September 2012 and 1 October 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 30 September 2012 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 30 September 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 October 2012 do not contain misstatements that materially affect the financial position as of 30 September 2013 and financial performance and cash flows for the financial year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

CAS & Associates

CAS & ASSOCIATES
[No. AF1476]
Chartered Accountants

CHEN VOON HANN
[No. 2453/07/15(J)]
Partner of the firm

Date: 20 JAN 2014

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CHEN VOON HANN
PARTNER
CAS & Associates (AF 1476)
Chartered Accountants
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EXTOL MSC BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013

	Note	Group 30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
Non-current assets				
Property, plant and equipment	4	590,581	2,490,541	3,105,493
Investment properties	5	1,378,880	-	-
Product development expenditure	7	2,862,997	3,708,037	4,298,947
Goodwill	8	3,541,003	3,541,003	3,541,003
Prepaid lease assets	9	-	-	142,359
		8,373,461	9,739,581	11,087,802
Current assets				
Inventories	10	1,107,033	224,736	503,543
Trade receivables	11	2,794,332	3,019,185	1,321,022
Other receivables, deposits and prepayments	12	754,441	442,599	272,415
Fixed deposits with licensed banks	14	981,213	854,098	829,648
Cash and bank balances	15	5,308,353	6,770,915	4,073,808
		10,945,372	11,311,533	7,000,436
Total assets		19,318,833	21,051,114	18,088,238
Equity and liabilities				
Equity				
Share capital	16	12,632,400	12,632,400	10,440,000
Share premium	17	4,167,884	4,167,884	3,620,000
Retained earnings		148,038	1,504,491	1,432,371
Total equity attributable to equity holders of the Company		16,948,322	18,304,775	15,492,371
Non-current liabilities				
Borrowings	18	500,000	-	16,284
Deferred taxation	19	113,549	253,727	364,646
		613,549	253,727	380,930
Current liabilities				
Trade payables	20	864,848	1,740,510	1,273,339
Other payables and accruals	21	306,262	511,437	232,008
Borrowings	18	500,000	16,284	695,942
Provision for taxation		85,852	224,381	13,648
		1,756,962	2,492,612	2,214,937
Total liabilities		2,370,511	2,746,339	2,595,867
Total equity and liabilities		19,318,833	21,051,114	18,088,238

The annexed notes form an integral part of these financial statements.

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EXTOL MSC BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013

	Note		Company	
		30.09.2013	30.09.2012	01.10.2011
		RM	RM	RM
Non-current assets				
Property, plant and equipment	4	60,552	143,991	224,175
Investment in subsidiary companies	6	8,281,500	8,281,500	6,570,000
Product development expenditure	7	2,726,776	3,349,082	3,717,259
		11,068,828	11,774,573	10,511,434
Current assets				
Trade receivables	11	-	4,000	-
Other receivables, deposits and prepayments	12	110,086	96,726	60,775
Amount due from subsidiary companies	13	3,906,448	4,091,689	4,130,064
Cash and bank balances	15	3,140,398	3,317,111	1,887,792
		7,156,932	7,509,526	6,078,631
Total assets		18,225,760	19,284,099	16,590,065
Equity and liabilities				
Equity				
Share capital	16	12,632,400	12,632,400	10,440,000
Share premium	17	4,167,884	4,167,884	3,620,000
Retained earnings		1,213,074	2,244,831	2,411,121
Total equity attributable to equity holders of the Company		18,013,358	19,045,115	16,471,121
Current liabilities				
Other payables and accruals	21	212,402	238,984	118,944
Total liabilities		212,402	238,984	118,944
Total equity and liabilities		18,225,760	19,284,099	16,590,065

The annexed notes form an integral part of these financial statements.

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EXTOL MSC BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2013

	Note	Group		Company	
		2013	2012	2013	2012
		RM	RM	RM	RM
Revenue	22	13,509,218	15,120,026	2,398,720	3,721,830
Cost of sales		(8,668,837)	(8,262,594)	(188,080)	(291,874)
Gross profit		4,840,381	6,857,432	2,210,640	3,429,956
Other operating income		412,893	248,139	120,808	121,645
Selling and distribution costs		(579,211)	(539,743)	(215,978)	(286,989)
Administrative expenses		(4,114,859)	(4,268,866)	(2,421,539)	(2,698,010)
Other operating expenses		(1,941,786)	(2,092,739)	(725,268)	(732,892)
(Loss)/Profit from operations		(1,382,582)	204,223	(1,031,337)	(166,290)
Finance costs		(34,639)	(19,636)	-	-
(Loss)/Profit before tax	23	(1,417,221)	184,587	(1,031,337)	(166,290)
Income tax expense	24	60,768	(112,467)	(420)	-
(Loss)/Profit for the financial year		(1,356,453)	72,120	(1,031,757)	(166,290)
Other comprehensive income:					
Revaluation of freehold land and buildings		-	-	-	-
Other comprehensive income/ (loss) for the financial year, net of tax		-	-	-	-
Total comprehensive (loss)/ income for the financial year		(1,356,453)	72,120	(1,031,757)	(166,290)
Net (loss)/profit attributable to:					
Owners of the Company		(1,356,453)	72,120	(1,031,757)	(166,290)
Total comprehensive (loss)/income attribute to:					
Owners of the Company		(1,356,453)	72,120	(1,031,757)	(166,290)
Basic (loss)/earnings per share (sen)	26	(1.07)	0.06	(0.82)	(0.15)

The annexed notes form an integral part of these financial statements.

EXTOL MSC BERHAD
(Incorporated in Malaysia)

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2013

	Attributable to equity holders of the Company					
	Non-Distributable		Distributable			
	Share Capital RM	Share Premium RM	Retained Earnings RM	Total RM	Non-controlling Interest RM	Total Equity RM
Group						
Balance as at 01.10.2011	10,440,000	3,620,000	1,432,371	15,492,371	-	15,492,371
Increase in share capital	2,192,400	866,520	-	3,058,920	-	3,058,920
Share issuance expenses	-	(318,636)	-	(318,636)	-	(318,636)
Total comprehensive income	-	-	72,120	72,120	-	72,120
Balance as at 30.09.2012	12,632,400	4,167,884	1,504,491	18,304,775	-	18,304,775
Total comprehensive loss	-	-	(1,356,453)	(1,356,453)	-	(1,356,453)
Balance as at 30.09.2013	12,632,400	4,167,884	148,038	16,948,322	-	16,948,322

The annexed notes form an integral part of these financial statements.

EXTOL MSC BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2013

	Attributable to equity holders of the Company					
	Non-Distributable		Distributable			
	Share Capital RM	Share Premium RM	Retained Earnings RM	Total RM	Non-controlling Interest RM	Total Equity RM
Company						
Balance as at 01.10.2011	10,440,000	3,620,000	2,411,121	16,471,121	-	16,471,121
Increase in share capital	2,192,400	866,520	-	3,058,920	-	3,058,920
Share issuance expenses	-	(318,636)	-	(318,636)	-	(318,636)
Total comprehensive loss	-	-	(166,290)	(166,920)	-	(166,290)
Balance as at 30.09.2012	12,632,400	4,167,884	2,244,831	19,045,115	-	19,045,115
Total comprehensive loss	-	-	(1,031,757)	(1,031,757)	-	(1,031,757)
Balance as at 30.09.2013	12,632,400	4,167,884	1,213,074	18,013,358	-	18,013,358

The annexed notes form an integral part of these financial statements.

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EXTOL MSC BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2013

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(1,417,221)	184,587	(1,031,337)	(166,290)
Adjustments for:				
Depreciation of investment properties	40,640	-	-	-
Depreciation of property, plant and equipment	557,124	664,992	83,717	92,374
Amortisation of prepaid lease assets	-	142,359	-	-
Amortisation of product development expenditure	845,040	845,039	622,306	622,306
Interest expense	34,639	19,636	-	-
Interest income	(131,829)	(103,773)	(88,706)	(67,531)
Rental income	(122,700)	(89,600)	-	-
Operating (loss)/profit before working capital changes	(194,307)	1,663,240	(414,020)	480,859
(Increase)/Decrease in inventories	(882,297)	278,807	-	-
Increase in receivables	(86,989)	(1,868,347)	(9,360)	(39,951)
(Decrease)/Increase in payables	(1,080,837)	746,600	(26,582)	120,040
Decrease in amount due from subsidiary companies	-	-	185,241	38,375
Net cash (used in)/generated from operations	(2,244,430)	820,300	(264,721)	599,323
Interest paid	(34,639)	(19,636)	-	-
Tax paid	(217,938)	(12,653)	(420)	-
Net cash (used in)/generated from operating activities	(2,497,007)	788,011	(265,141)	599,323

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EXTOL MSC BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2013

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	131,829	103,773	88,706	67,531
Proceeds from issuance of share capital	-	3,058,920	-	3,058,920
Share issuance expenses	-	(318,636)	-	(318,636)
Purchase of property, plant and equipment	(76,685)	(50,040)	(278)	(12,190)
Rental income received	122,700	89,600	-	-
Product development expenditure	-	(254,129)	-	(254,129)
Placement of fixed deposits	(127,115)	(24,450)	-	-
Investment in subsidiary company	-	-	-	(1,711,500)
Net cash generated from investing activities	50,729	2,605,038	88,428	829,996
CASH FLOWS FROM FINANCING ACTIVITY				
Drawdown of term loan	1,000,000	-	-	-
Repayment of hire purchase payables	(16,284)	(695,942)	-	-
Net cash generated from/(used in) financing activity	983,716	(695,942)	-	-
Net (decrease)/increase in cash and bank balances	(1,462,562)	2,697,107	(176,713)	1,429,319
Cash and cash equivalents as at beginning of financial year	6,770,915	4,073,808	3,317,111	1,887,792
Cash and cash equivalents as at end of financial year	5,308,353	6,770,915	3,140,398	3,317,111
Cash and cash equivalents comprise of:				
Cash in hand	2,866	6,543	1,160	3,391
Cash at bank	5,305,487	6,764,372	3,139,238	3,313,720
	5,308,353	6,770,915	3,140,398	3,317,111

The annexed notes form an integral part of these financial statements.

EXTOL MSC BERHAD
(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

1. General Information

Extol MSC Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at Unit G-1, Ground Floor, Wisma UOA Pantai, No.11, Jalan Pantai Jaya, 59200 Kuala Lumpur.

The Company is principally engaged in the research and development and sale of Information Communication Technology (ICT) security systems and provision of related professional services which are directly and indirectly linked to ICT and investment holding.

The principal activities of the subsidiary companies are stated in Note 6 of the notes to the financial statements.

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

The financial statements of the Group and the Company were approved and authorised for issue by the board of directors on 20 JAN 2014

2. Basis of preparation of financial statements

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) and the requirements of the Companies Act, 1965 in Malaysia. These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRS"). The Group and the Company have adopted MFRS framework issued by Malaysian Accounting Standards Board ("MASB") with effect from 1 October 2012.

The Group and the Company have consistently applied the same accounting policies in its opening MFRS Statement of Financial Position as at 1 October 2011 and throughout all the periods presented as if these policies had always been in effective. The transition from FRS to MFRS has not had a material impact on the financial position as at 1 October 2011 and 30 September 2012, other than the presentation of three (3) Statements of Financial Positions and related notes.

EXTOL MSC BERHAD
(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

2. Basis of preparation of financial statements (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments that are applicable to the Group and the Company but not yet effective

The Group and the Company have not early adopted the following accounting standards that have been issued by the Malaysian Accounting Standards Board (MASB) as these are effective for financial period beginning on or after 1 January 2013.

MFRS	Title	Effective date
1	Government Loans (Amendments to MFRS 1)	1 January 2013
7	Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendment to MFRS 7)	1 January 2013
9	Financial Instruments: IFRS 9 issued by IASB in Nov 2009)	1 January 2015
9	Financial Instruments: IFRS 9 issued by IASB in Oct 2010)	1 January 2015
10	Consolidated Financial Statements	1 January 2013
10	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)	1 January 2013
11	Joint Arrangements	1 January 2013
11	Joint Arrangements and Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)	1 January 2013
12	Disclosure of Interests in Other Entities	1 January 2013
12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)	1 January 2013
13	Fair Value Measurement	1 January 2013
119	Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
128	Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
132	Financial Instruments: Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)	1 January 2014
136	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)	1 January 2014
139	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)	1 January 2014
IC Intepretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IC Intepretation 21	Levies	1 January 2014
	Annual Improvements 2009-2011 Cycle	1 January 2013
	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)	1 January 2014

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NOTES TO FINANCIAL STATEMENTS
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2. Basis of preparation of financial statements (continued)

(a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned standards, amendments or interpretations:

- For accounting period beginning on 1 October 2013 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 January 2013, except for Amendments to MFRS 1 and IC Interpretation 20 which are not applicable to the Group and the Company.
- For accounting period beginning on 1 October 2014 for those standards, amendment or interpretations that will be affective for annual periods beginning on or after 1 January 2014.
- For accounting period beginning on 1 October 2015 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 January 2015.

The directors expect that there are no material impacts upon the initial application of the standards, amendments or interpretations other than as discussed below:

MFRS 9, Financial Instruments
MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on classification and measurement of financial assets. Upon adoption of MFRS 9, all financial assets will be measured at either fair value or amortised cost.

The Group and the Company are currently assessing the financial impact of adopting MFRS 9.

MFRS 13, Fair Value Measurement
MFRS 13, *Fair Value Measurement* establishes the principles for fair value measurement and replaces the existing guidance in different MFRSs. The Group and the Company are currently assessing the financial impact of adopting MFRS 13.

(b)Basis of measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis except as disclosed in the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Group's and the Company's functional currency. All financial information is presented in RM, unless otherwise stated.

2. Basis of preparation of financial statements (continued)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than as disclosed in the following notes.

3. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2013.

The financial statements of the Company's subsidiaries are prepared for the same reporting date as the Company, using consistent accounting policies to like transactions and events in similar circumstances.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

All intercompany balances, income and expenses and unrealized gain or loss transactions between Group and subsidiary Companies are eliminated.

Non-controlling interests ("NCI") represent the portion of profit or loss and net assets in subsidiaries not owned, directly and indirectly by the Company. NCI are presented separately in the consolidated income statements and statements of comprehensive income and within equity in the consolidated statement of financial position, but separate from parent shareholders' equity. Total comprehensive income is allocated against the interest of NCI, even if this results in a deficit balance. Acquisition of NCI are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognized equity.

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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group losses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, if required in accordance with other MFRSs.

All of the above will be accounted for from the date when control is lost.

The accounting policies for business combination and goodwill are disclosed in Note 3(c).

(b) Investment in subsidiaries

Subsidiaries are entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(k)(ii) below. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in profit or loss.

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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

3. Significant accounting policies (continued)

(c) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may by impaired. For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(k)(ii).

Where goodwill has been allocated to cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

3. Significant accounting policies (continued)

(d) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the income statement when incurred.

Costs on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalised and deferred when it is probable that the assets under development will generate future economic benefits considering its commercial and technological feasibility of completing the development activities so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, the availability of resources to complete the development activities and when the expenditure can be measured reliably. Other development expenditures are recognised as expenses in the income statement when incurred.

Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation and impairment loss, if any. Capitalised development costs will be amortised, on a straight-line basis, over the estimated commercial life commencing from the use of the assets. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(k)(ii). The amortisation period and method are also reviewed at least at each reporting date.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the profit or loss during the financial year in which they are incurred.

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income as a revaluation surplus reserve. When the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus reserve of that asset.

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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

3. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

Depreciation on the property, plant and equipment is calculated so as to write off the cost or valuation of the assets to their residual values on a straight line basis over the expected useful lives of the assets, summarised as follows:

	%
Freehold office buildings	2
Furniture and fittings	10
Office Equipment	10
Computers	30
Hardware appliances	10
Motor Vehicles	20
Renovation	10

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

At each reporting date, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3(k)(ii) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the profit or loss.

On disposal of revalued assets, amounts in the revaluation reserve relating to those assets are transferred to retained earnings.

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NOTES TO FINANCIAL STATEMENTS
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3. Significant accounting policies (continued)

(f) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, the investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(k)(ii).

Depreciation is provided for on a straight-line basis over the estimated useful life of 50 years for the investment property. The residual values and useful lives of the investment property are reviewed, and adjusted if appropriate, at each reporting date. Any gains or losses on the retirement or disposal of an investment property are recognized when it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

(g) Cash and cash equivalent

For the purpose of the statements of cash flows, cash and cash equivalent comprises cash on hand, bank balances, demand deposits and short term highly liquid investments which are subject to insignificant risk of changes in value.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. Significant accounting policies (continued)

(i) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(j) Financial instruments

(i) Initial recognition and measurement

Financial instruments are recognised in the statement of financial position when the Group and the Company has become a party to the contractual provisions of the instruments.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income.

Financial assets are classified as either at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale as appropriate.

Financial liabilities are classified as either at fair value through profit or loss or at amortised cost, as appropriate.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group and the Company have legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

3. Significant accounting policies (continued)

(j) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets
Loans and receivables

The Group and the Company determine the classification of their financial asset at initial recognition, categorise and measure financial instruments as follows:

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

All financial assets of the Group and the Company are classified as loans and receivables.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturities more than 12 months after the reporting date which are classified as non-current assets.

Financial liabilities
Loan and borrowings

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using effective interest method. Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of 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 incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

3. Significant accounting policies (continued)

(j) Financial instruments (continued)

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(k) Impairment

(i) Financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred; the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor 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 and the Company'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 economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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NOTES TO FINANCIAL STATEMENTS
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3. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

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, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU").

In assessing value in use, the estimated future cash flows expected to be generated by the assets 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 assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only when there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of that asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

3. Significant accounting policies (continued)

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred with any difference between the initial fair value and proceeds (net of transaction costs) being charged to profit or loss at initial recognition. In subsequent periods, borrowings are stated at amortised cost using the effective interest method with the difference between the initial fair value and the redemption value is recognised in the profit or loss over the period of the borrowings.

Profit, interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the profit or loss.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the financial position date.

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(m)Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue from services rendered is recognised in the income statement upon provision of services and customer acceptance.

Revenue relating to sales of goods is recognised upon delivery of products and customer acceptance.

(n) Hire purchase and prepaid lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

3. Significant accounting policies (continued)

(n) Hire purchase and prepaid lease (continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(o) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as expense in the financial year in which the associated services are rendered by employees of the Group and 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 leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefits plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The contributions are charged as an expense in the financial year in which the employees render their services. As required by law, the Group and the Company make such contributions to the Employees Provident Fund ("EPF").

(p) Income tax

Taxation on profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over the cost of the combination, in which case it is recognised in equity.

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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

3. Significant accounting policies (continued)

(p) Income tax (continued)

Current tax is expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of previous financial years.

Deferred taxation is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of assets or liabilities in a transaction which is not a business combination and at the time of transaction, affects neither accounting nor taxable profit. The amount of deferred tax provide is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that is probable that future taxable profits will be available against which the asset can be utilised.

(q) Foreign currencies

The financial statements of the Group and of the Company are measured using the currency of the primary economic environment in which the Group and the Company operate ["the functional currency"]. The consolidated financial statements are presented in Ringgit Malaysia ["RM"], which is also the Group's and the Company's functional currency.

Transactions in currencies other than the Group's and the Company's functional currency ["foreign currencies"] are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on 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 translated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity.

The principal closing rates used in translation of foreign currency amounts are as follows:

	2013	2012	2011
	RM	RM	RM
British Pound Sterling	5.268	4.980	-
Euro	4.401	3.964	4.316
United States Dollar	3.260	3.066	3.191

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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

3. Significant accounting policies (continued)

(r) Critical accounting judgements and estimations

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than as disclosed in the following notes:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

3. Significant accounting policies (continued)

(r) Critical accounting judgements and estimations (continued)

Useful lives of property, plant and equipment

As described at note 3(e) above, the Company and the Group review the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the directors determined that the useful lives of certain items of equipment should be shortened, due to developments in technology. The carrying amounts of the Company's and the Group's property, plant and equipment at the end of the reporting period are disclosed in Note 4.

Valuation of investment properties (Note 5)

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. The fair value for investment properties is derived at by directors and management of the Company based on reference to market indication of transaction prices for similar properties.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

(s) Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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4. Property, plant and equipment

2013
Group

	Freehold office buildings RM	Furniture and fittings RM	Office equipment RM	Computers RM	Hardware appliances RM	Motor vehicles RM	Renovation RM	Total RM
Cost								
Balance as at 01.10.2012	2,032,000	320,460	720,311	837,533	2,870,000	378,457	15,050	7,173,811
Addition	-	-	13,139	63,546	-	-	-	76,685
Transfer to investment properties	(2,032,000)	-	-	-	-	-	-	(2,032,000)
Disposal	-	-	-	-	-	(70,000)	-	(70,000)
Balance as at 30.09.2013	-	320,460	733,450	901,079	2,870,000	308,457	15,050	5,148,496
Accumulated depreciation								
Balance as at 01.10.2012	612,480	128,993	380,697	688,175	2,511,250	355,655	6,020	4,683,270
Charge for the year	-	32,045	91,528	133,646	287,000	11,400	1,505	557,124
Reclassification	(612,480)	-	-	-	-	-	-	(612,480)
Disposal	-	-	-	-	-	(69,999)	-	(69,999)
Balance as at 30.09.2013	-	161,038	472,225	821,821	2,798,250	297,056	7,525	4,557,915
Net carrying value	-	159,422	261,225	79,258	71,750	11,401	7,525	590,581

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4. Property, plant and equipment (continued)

2012
Group

	Freehold office buildings	Furniture and fittings	Office equipment	Computers	Hardware appliances	Motor vehicles	Renovation	Total
Cost	RM	RM	RM	RM	RM	RM	RM	RM
Balance as at 01.10.2011	2,032,000	319,940	696,339	811,985	2,870,000	378,457	15,050	7,123,771
Addition	-	520	23,972	25,548	-	-	-	50,040
Disposal	-	-	-	-	-	-	-	-
Balance as at 30.09.2012	2,032,000	320,460	720,311	837,533	2,870,000	378,457	15,050	7,173,811
Accumulated depreciation								
Balance as at 01.10.2011	571,840	96,947	290,522	485,949	2,224,250	344,255	4,515	4,018,278
Charge for the year	40,640	32,046	90,175	202,226	287,000	11,400	1,505	664,992
Disposal	-	-	-	-	-	-	-	-
Balance as at 30.09.2012	612,480	128,993	380,697	688,175	2,511,250	355,655	6,020	4,683,270
Net carrying value	1,419,520	191,467	339,614	149,358	358,750	22,802	9,030	2,490,541
Net carrying value as at 01.10.2011	1,460,160	222,993	405,817	326,036	645,750	34,202	10,535	3,105,493

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4. Property, plant and equipment (continued)

2013
Company

	Office equipment	Computers	Motor vehicles	Total
Cost	RM	RM	RM	RM
Balance as at 01.10.2012	48,754	291,661	251,457	591,872
Addition	-	278	-	278
Disposal	-	-	-	-
Balance as at 30.09.2013	48,754	291,939	251,457	592,150
Accumulated depreciation				
Balance as at 01.10.2012	9,155	187,270	251,456	447,881
Charge for the year	4,915	78,802	-	83,717
Disposal	-	-	-	-
Balance as at 30.09.2013	14,070	266,072	251,456	531,598
Net carrying value	34,684	25,867	1	60,552

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4. Property, plant and equipment (continued)

2012
Company

	Office equipment RM	Computers RM	Motor vehicles RM	Total RM
Cost				
Balance as at 01.10.2011	39,354	288,871	251,457	579,682
Addition	9,400	2,790	-	12,190
Disposal	-	-	-	-
Balance as at 30.09.2012	48,754	291,661	251,457	591,872
Accumulated depreciation				
Balance as at 01.10.2011	4,280	99,771	251,456	355,507
Charge for the year	4,875	87,499	-	92,374
Disposal	-	-	-	-
Balance as at 30.09.2012	9,155	187,270	251,456	447,881
Net carrying value	39,599	104,391	1	143,991
Net carrying value as at 01.10.2011	35,074	189,100	1	224,175

As at 30 September 2012, there were property, plant and equipment acquired under instalment purchase plans for which there were outstanding instalments. The net book value of these assets amounted to RM 22,801.

During the financial year, the outstanding instalments had been fully repaid.

The Group's freehold office buildings were charged to a licensed banks for banking facilities granted to a subsidiary company and their net book value were RM Nil (2012: RM 1,419,520). During the financial year, the freehold office buildings were transferred to investment properties.

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5. Investment properties

	30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
Freehold land and building:			
Cost			
At beginning of financial year	-	-	-
Transfer from property, plant and equipment	2,032,000	-	-
Disposals	-	-	-
At end of financial year	2,032,000	-	-
Accumulated Depreciation			
At beginning of financial year	-	-	-
Transfer from property, plant and equipment	(612,480)		
Charge for the financial year	(40,640)	-	-
Disposals	-	-	-
At end of financial year	(653,120)	-	-
Net Carrying Value	1,378,880	-	-
Fair value of investment properties	3,887,580	-	-

The fair value of the Group's investment property was arrived at by reference to market indication of transaction prices for similar properties.

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted of RM122,700 (2012: RM89,600). A valuation has not been performed by an independent valuer.

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NOTES TO FINANCIAL STATEMENTS
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6. Investment in subsidiary companies

	30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
<u>Unquoted shares, at cost</u>			
At the beginning of the financial year	8,281,500	6,570,000	6,570,000
Addition during the financial year	-	1,711,500	-
At the end of the financial year	8,281,500	8,281,500	6,570,000

The addition of investment in subsidiary in prior year arose from capitalisation of amount due from a subsidiary company.

The subsidiary companies of the Company are as follows:

Name of subsidiary companies	Country of incorporation	Equity interest held 2013 %	2012 %	Principal activities
Extol Corporation (M) Sdn. Bhd.	Malaysia	100	100	Sales and research and development of security technology, security maintenance and professional security services and training.
Extol Ventures Sdn. Bhd.	Malaysia	100	100	Investment holding, trading of computer hardware, software related equipment and software development.
Innodium Sdn. Bhd.	Malaysia	100	100	Software development and trading in software products.

All the financial statements of the subsidiaries above are audited by CAS & Associates, Chartered Accountants.

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7. Product development expenditure

	Group		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
At cost			
At the beginning of the financial year	8,591,267	8,337,138	8,180,543
Addition during the financial year	-	254,129	156,595
	8,591,267	8,591,267	8,337,138
Less:			
Accumulated amortisation			
At the beginning of the financial year	(4,598,808)	(3,753,769)	(3,136,817)
Addition during the financial year	(845,040)	(845,039)	(616,952)
	(5,443,848)	(4,598,808)	(3,753,769)
Less:			
Accumulated impairment			
At the beginning of the financial year	(284,422)	(284,422)	(34,776)
Addition during the financial year	-	-	(249,646)
	(284,422)	(284,422)	(284,422)
At end of the financial year	2,862,997	3,708,037	4,298,947

	Company		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
At cost			
At the beginning of the financial year	6,223,063	5,968,934	5,812,339
Addition during the financial year	-	254,129	156,595
	6,223,063	6,223,063	5,968,934
Less:			
Accumulated amortisation			
At the beginning of the financial year	(2,589,559)	(1,967,253)	(1,573,034)
Addition during the financial year	(622,306)	(622,306)	(394,219)
	(3,211,865)	(2,589,559)	(1,967,253)
Less:			
Accumulated impairment			
At the beginning of the financial year	(284,422)	(284,422)	(34,776)
Addition during the financial year	-	-	(249,646)
	(284,422)	(284,422)	(284,422)
At end of the financial year	2,726,776	3,349,082	3,717,259

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7. Product development expenditure (continued)

Included in the product development expenditure, the details of the cost incurred are as follows:

	Group and Company		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
Staff Cost	-	254,129	156,595

8. Goodwill

	Group		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
At the beginning of the financial year	3,541,003	3,541,003	3,510,211
Addition during the financial year	-	-	30,792
At the end of the financial year	3,541,003	3,541,003	3,541,003

Goodwill on consolidation is stated at cost and reviewed for impairment annually.

Goodwill on consolidation has been allocated for impairment testing to the Group's cash generating unit ("CGU").

During the financial year, the Group assessed the recoverable amount of the goodwill on consolidation, and determined that the goodwill on consolidation is not impaired.

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a period of ten years.

The key assumptions used in the value-in-use calculations are as follows:

	%
Growth rate	5-20
Discount rate	10

Management determined the budgeted gross margin based on the past performance and its expectations of market development. The growth rate used is based on past years' achievement and the expected future contracts to be secured. The discount rate used reflects the current market assessment of the risks specific to each CGU.

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9. Prepaid lease assets

		Group	
	30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
Prepaid lease assets, at cost	-	1,443,461	1,443,461
Less: Accumulated amortisation	-	(1,443,461)	(1,301,102)
	-	-	142,359

10. Inventories

		Group	
	30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
At cost,			
Software license and hardware appliances	1,107,033	224,736	503,543

11. Trade receivables

		Group	
	30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
Gross receivables	2,794,332	3,027,573	1,329,410
Less: Impairment of trade receivables			
At the beginning of the financial year	-	(8,388)	(8,388)
Addition during the financial year	-	-	-
At the end of the financial year	-	(8,388)	(8,388)
Net receivables	2,794,332	3,019,185	1,321,022

		Company	
	30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
Gross receivables	-	12,388	8,388
Less: Impairment of trade receivables			
At the beginning of the financial year	-	(8,388)	(8,388)
Addition during the financial year	-	-	-
At the end of the financial year	-	(8,388)	(8,388)
Net receivables	-	4,000	-

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11. Trade receivables (continued)

The currency exposure profiles of trade receivables are as follows:

	Group		
	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Ringgit Malaysia	2,314,329	1,801,717	1,097,062
United States Dollar	480,003	1,130,968	223,960
British Pound Sterling	-	86,500	-
	2,794,332	3,019,185	1,321,022

	Company		
	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Ringgit Malaysia	-	4,000	-
	-	4,000	-

Ageing analysis of trade receivables

	Group		
	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Neither past due nor impaired	552,722	1,354,035	1,020,157
1- 30 days past due not impaired	302,800	325,737	267,525
31-60 days past due not impaired	1,361,797	144,067	10,336
Over 60 days past due not impaired	577,013	1,195,346	23,004
	2,794,332	3,019,185	1,321,022

	Company		
	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Neither past due nor impaired	-	4,000	-
1- 30 days past due not impaired	-	-	-
31-60 days past due not impaired	-	-	-
Over 60 days past due not impaired	-	-	-
	-	4,000	-

Trade receivables which are neither past due nor impaired are credit worthy debtors with good payment record with the Group and none of them renegotiated during the financial year.

The Group has trade receivables amounting to RM2,241,610 (2012: RM1,665,150) that are past due at the reporting date but not impaired. Out of this balance, 68% has been collected subsequent to the year end. These receivables are unsecured in nature.

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NOTES TO FINANCIAL STATEMENTS
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12. Other receivables, deposits and prepayments

	Group		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
Other receivables	9,700	228	1,000
Deposits	318,477	333,327	200,800
Prepayments	426,264	109,044	70,615
	754,441	442,599	272,415

	Company		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
Other receivables	3,000	-	1,000
Deposits	77,644	77,644	7,644
Prepayments	29,442	19,082	52,131
	110,086	96,726	60,775

Other receivables, deposits and prepayments are denominated in Ringgit Malaysia.

13. Amount due from subsidiary companies

Company

	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
Extol Corporation (M) Sdn Bhd	3,460,742	3,704,983	2,130,858
Extol Ventures Sdn Bhd	25,000	15,000	1,711,500
Innodium Sdn Bhd	420,706	371,706	287,706
	3,906,448	4,091,689	4,130,064

The amounts due from subsidiary companies are unsecured, interest-free and repayable upon demand. The amounts arose from trade and non-trade transactions.

14. Fixed deposits with licensed banks

The interest rate and maturity of the deposit as at 30 September 2013 are as follows:

Group

	Interest rate		
	30.09.2013	**30.09.2012**	**01.10.2011**
	%	**%**	**%**
Fixed deposits with licensed banks	2.90	2.90	2.75-2.90

	Maturity		
	30.09.2013	**30.09.2012**	**01.10.2011**
	Days	**Days**	**Days**
Fixed deposits with licensed banks	30	30	30

Fixed deposits with licensed banks of a subsidiary company are pledged to the bank for credit facilities granted to the subsidiary company.

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15. Cash and bank balances

The foreign currency exposures of bank balances are follows:

	Group		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
United States Dollar	1,436,904	1,039,983	804,443
Euro	137,192	125,279	-
British Pound Sterling	90,732	-	-

	Company		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
United States Dollar	8,362	7,951	7,780

16. Share capital

	Group and Company		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
Ordinary shares of RM0.10 each			
Authorised:			
Balance as at beginning of the financial year	100,000,000	25,000,000	25,000,000
Created during the financial year	-	75,000,000	-
Balance as at end of the financial year	100,000,000	100,000,000	25,000,000
Issued and fully paid:			
Balance as at beginning of the financial year	12,632,400	10,440,000	10,440,000
Issued during the financial year	-	2,192,400	-
Balance as at end of the financial year	12,632,400	12,632,400	10,440,000

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17. Share premium

	Group and Company		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
Balance as at beginning of the financial year	4,167,884	3,620,000	3,620,000
Created during the financial year			
Addition during the financial year	-	866,520	-
Less: share issuance expenses	-	(318,636)	-
	-	547,884	-
Balance as at end of the financial year	4,167,884	4,167,884	3,620,000

The share premium is not distributable by way of cash dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965.

The share premium arises from:

	Group and Company		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
10,440,000 shares at premium of RM0.05 each issued on 15.02.2012	-	522,000	-
11,484,000 shares at premium of RM0.03 each issued on 18.05.2012	-	344,520	-
Balance as at end of the financial year	-	866,520	-

18. Borrowings

		Group		
	Note	**30.09.2013**	**30.09.2012**	**01.10.2011**
		RM	**RM**	**RM**
Non-Current Liabilities				
Hire purchase payables	(a)	-	-	16,284
Term loan - Conventional	(b)	-	-	-
- Islamic financing	(b)	500,000	-	-
		500,000	-	16,284
Current Liabilities				
Hire purchase payables	(a)	-	16,284	15,000
Term loan - Conventional	(b)	-	-	61,454
- Islamic financing	(b)	500,000	-	-
Bankers' acceptances	(c)	-	-	459,000
Lease payables	(d)	-	-	160,488
		500,000	16,284	695,942

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18. Borrowings (continued)

	Note	30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
Total Borrowings				
Hire purchase payables	(a)	-	16,284	31,284
Term loan	(b)	1,000,000	-	61,454
Bankers' acceptances	(c)	-	-	459,000
Lease payables	(d)	-	-	160,488
		1,000,000	16,284	712,226

(a) Hire purchase payables

	30.09.2013 RM	Group 30.09.2012 RM	01.10.2011 RM
Minimum hire purchase payments			
- Not later than one year	-	18,264	16,980
- More than one year and not later than five years	-	-	16,980
	-	18,264	33,960
Less: Future interest charges	-	(1,980)	(2,676)
Present value of hire purchase payables	-	16,284	31,284
Repayable:			
- Not later than one year	-	16,284	15,000
- More than one year and not later than five years	-	-	16,284
	-	16,284	31,284

Rates of interest charged per annum:

		%	%
Hire purchase payables	-	4.40	4.40

(b) Term loan

	30.09.2013 RM	Group 30.09.2012 RM	01.10.2011 RM
Repayable:			
- Not later than one year	500,000	-	61,454
- More than one year and not later than five years	500,000	-	-
	1,000,000	-	61,454

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18. Borrowings (continued)

(b) Term loan (continued)

Conventional

The term loan which commenced repayment from September 2007 is subjected to interest at 2% per annum below the bank's lending rate (BLR) in the first year, 0.25% per annum above BLR for the second year and 0.75% per annum above BLR thereafter. The loan was fully repaid in financial year 2012.

Islamic financing

During the financial year, the Group secured a project financing facility in accordance with the financing procedure under the Syariah concept of Murabahah from Malaysia Debt Ventures Berhad.

The facility is repayable by two instalments in which the first instalment of RM500,000 will be due twelve months following the first disbursement. The balance of RM500,000 will be due twenty four months following the first disbursement. Based on the agreement, the total asset sell price payable by the Group is RM1,120,000.

The securities of the facility are as follows:

(i) Debenture creating a first fixed and floating charge over the borrowing subsidiary's assets, present and future, wheresoever situated; and
(ii) Personal guarantee of a director.

(c) Banker's acceptance

Details of the bankers' acceptances are as follows:

		Interest rate	
	30.09.2013	**30.09.2012**	**01.10.2011**
	%	**%**	**%**
Banker's acceptance	-	6.66-7.58	4.25-6.86

		Credit period	
	30.09.2013	**30.09.2012**	**01.10.2011**
	Days	**Days**	**Days**
Banker's acceptance	-	120	120

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18. Borrowings (continued)

(d) Lease payables

	Group		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
Repayable:			
- Not later than one year	-	-	167,279
- More than one year and not later than five years	-	-	-
	-	-	167,279
Less: Future interest charges	-	-	(6,791)
Present value of hire purchase payables	-	-	160,488

	Group		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
Repayable:			
- Not later than one year	-	-	160,488
- More than one year and not later than five years	-	-	-
	-	-	160,488

19. Deferred taxation

	Group		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
Balance as at beginning of the financial year	253,727	364,646	371,738
<u>Transfer to comprehensive income</u> (Note 24)			
Recognised in the statement of comprehensive income	(140,178)	(116,371)	(7,092)
Under-provided in the previous financial year	-	5,452	-
	(140,178)	(110,919)	(7,092)
Balance as at end of the financial year	113,549	253,727	364,646

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19. Deferred taxation (continued)

Presented after appropriate offsetting as follows:

	Group		
	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Temporary difference arising from:			
Property, plant and equipment and development expenditure	113,549	256,048	405,545
Hire purchase outstanding	-	(2,321)	(40,899)
	113,549	253,727	364,646

20. Trade payables

The currency exposure profile of trade payables are as follows:

	Group		
	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Ringgit Malaysia	267,203	1,194,687	1,230,722
Euro	-	-	42,043
United States Dollar	597,645	545,823	574
	864,848	1,740,510	1,273,339

The trade payables are non-interest bearing and the normal trade credit terms received by the Group range from 30 to 60 days.

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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

21. Other payables and accruals

	Group		
	30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
Other payables	230,686	478,437	197,008
Accruals	75,576	33,000	35,000
	306,262	511,437	232,008

	Company		
	30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
Other payables	195,902	222,484	99,944
Accruals	16,500	16,500	19,000
	212,402	238,984	118,944

22. Revenue

These represent billings for net invoiced value of goods sold and services rendered.

23. (Loss)/Profit before taxation

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
This is stated after charging/ (crediting):				
Amortisation of prepaid lease	-	142,359	-	-
Amortisation of product development expenditures	845,039	845,039	622,306	622,306
Auditors' remuneration:				
-statutory	35,000	33,000	16,500	16,500
-under-provision in previous year	-	1,000	-	-
-others	3,000	2,000	3,000	2,000
Staff costs (Note 25(a))	2,644,720	2,936,252	1,440,560	1,570,502
Directors' remuneration (Note 25(b))	400,620	435,475	360,620	435,475
Depreciation of investment properties	40,640	-	-	-
Depreciation of property, plant and equipment	557,124	664,992	83,717	92,374
Loss/(Gain) in foreign exchange:				
-realised	20,035	24,489	-	-
-unrealised	(82,951)	63,968	(411)	(171)
Interest income	(131,829)	(103,773)	(88,706)	(67,531)
Rental income	(122,700)	(89,600)	-	-
Rental of premises	614,250	564,090	304,701	341,757

24. Income tax expenses

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Current				
Tax expense for the current financial year	84,874	223,386	420	-
Over-provided for previous year	(5,464)	-	-	-
	79,410	223,386	420	-
Deferred (Note 19)				
Deferred taxation relating to the origination and reversal of temporary differences	(140,178)	(116,371)	-	-
Under-provided in the previous financial year	-	5,452	-	-
	(140,178)	(110,919)	-	-
Tax (credit)/expenses for the current financial year	(60,768)	112,467	420	-

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

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
(Loss)/Profit before taxation	(1,417,221)	184,587	(1,031,337)	(166,290)
Taxation at statutory tax rate	(354,305)	44,245	(257,834)	(41,573)
Effect of non-deductible expenses	304,969	297,297	257,834	170,407
Deductible capital expenditure	14,667	(43,945)	-	(2,989)
Utilisation of previous year unabsorbed capital allowances and unabsorbed business losses	-	(178,195)	-	(125,845)
Income not subject to taxation	(20,635)	(12,387)	-	-
Taxation over-provided in the previous financial year	(5,464)			
Deferred taxation under-provided in the previous financial year	-	5,452	420	-
Tax (credit)/ expense for the current financial year	(60,768)	112,467	420	-

EXTOL MSC BERHAD
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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

24. Income tax expenses (continued)

The Company has been granted with the Multimedia Super Corridor (MSC) Status up to 25 September 2014 and awarded the Pioneer Status under Section 4A of Promotion of Investment (Amendment) Act, 1986.

Subject to agreement from the Inland Revenue Board, as at 30 September 2013,

(i) the Group has unabsorbed business losses and capital allowance RM3,019,123 (2012: RM2,356,518) and the Company has unabsorbed business losses and capital allowances amounting to approximately RM2,074,123 (2012: RM1,480,718) which is available for set off against future taxable income for which no deferred tax asset is recognised due to uncertainty of its recoverability, and

(ii) tax exempt income of the Company to approximately RM1,403,139 (2012: RM1,403,139) which can be used to pay tax exempt dividend.

(iii) Section 108 tax credit balance which is able to frank payment of dividend amounting to approximate RM64,518 (2012: RM64,518).

As at end of reporting date, the Company has not elected for the Single Tier Tax System. When the tax credit balance is fully utilised, or by 31 December 2013 at the latest, the Company will automatically switch to Single Tier Tax System. Under the Single Tier Tax System, tax on Company's profit is a final tax and dividend distributed to the shareholders will be exempted from tax.

25. Staff costs and directors' remuneration

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
(a) Staff costs				
Salaries, bonus, allowances and overtime	2,318,120	2,647,762	1,318,245	1,439,285
Pension costs: Defined contribution plans and social security costs	326,582	288,490	122,315	131,217
	2,644,702	2,936,252	1,440,560	1,570,502
(b) Directors' remuneration				
Fee	78,000	94,943	78,000	94,943
Salaries, bonus and allowances	293,200	304,400	253,200	304,400
Pension costs: Defined contribution plans and social security costs	29,420	36,132	29,420	36,132
	400,620	435,475	360,620	435,475

EXTOL MSC BERHAD
(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

26. (Loss)/Earnings per share

Basic (loss)/earnings per share of the Group is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue for the financial year.

	Group	
	2013	**2012**
Net (loss)/earnings for the financial year (RM)	(1,356,453)	72,120
Weighted average number of ordinary shares in issue (units)	126,324,000	114,318,000
Basic (loss)/earnings per share (sen)	(1.07)	0.06

	Company	
	2013	**2012**
Net loss for the financial year (RM)	(1,031,757)	(166,290)
Weighted average number of ordinary shares in issue (units)	126,324,000	114,318,000
Basic loss per share (sen)	(0.82)	(0.15)

27. Significant related party disclosure

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are below significant related party transactions.

Related parties	Relationship
Extol Corporation (M) Sdn Bhd	subsidiary
Extol Ventures Sdn Bhd	subsidiary
Innodium Sdn Bhd	subsidiary

Significant transactions with related parties are as follows:

		Company	
	Type of transactions	**30.09.2013 RM**	**30.09.2012 RM**
With subsidiaries:			
- Extol Corporation (M) Sdn Bhd	Royalties	187,978	291,026
	Sales	2,349,720	3,637,830
- Innodium Sdn Bhd	Sales	49,000	84,000

The directors are of the opinion that all the transaction above have been entered into in a normal course of business and have been established on terms and conditions that are not material different from those obtained in transaction with third parties.

EXTOL MSC BERHAD
(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

27. Significant related party disclosure (continued)

	Type of transactions	Group 30.09.2013 RM	Group 30.09.2012 RM
Individually significant outstanding balances arising from transactions other than normal trade transactions are as follows:			
Financial assets			
With subsidiaries:			
- Extol Corporation (M) Sdn Bhd	Advances	350,000	255,000
	Expenses paid on behalf	3,757	1,632
- Extol Ventures Sdn Bhd	Advances	10,000	15,000
Financial liabilities			
With subsidiaries:			
- Extol Corporation (M) Sdn Bhd	Expenses paid on behalf	1,945	454,310
	Repayment	2,415,973	1,575,000

The directors are of the opinion that all the transaction above have been entered into in a normal course of business and have been established on terms and conditions that are not material different from those obtained in transaction with third parties.

28. Segmental information

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business unit based on their products and services provided.

The Company principally carries out research and development in Information Communication Technology (ICT) security system and to provide professional services which are directly and indirectly linked to ICT and investment holdings.

No segmental information by geographical location is provided as the Group operates predominantly in Malaysia.

EXTOL MSC BERHAD
(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

28. Segmental information (continued)

The segmental results for the Group are as follow:-

2013	Managed Security Solutions RM	Others RM	Eliminations RM	Group RM
Sales	15,376,916	719,000	(2,586,698)	13,509,218
Cost of Sales	(11,051,506)	(204,029)	2,586,698	(8,668,837)
Gross Profit	4,325,410	514,971	-	4,840,381
Loss before interest income	(1,266,410)	(248,000)	-	(1,514,410)
Interest income	131,828	-	-	131,828
Loss from operations	(1,134,582)	(248,000)	-	(1,382,582)
Finance costs	(34,639)	-	-	(34,639)
Loss before tax	(1,169,221)	(248,000)	-	(1,417,221)
Income tax expense	60,768	-	-	60,768
Net loss for the year attributable to owners of the Company	(1,108,453)	(248,000)	-	(1,356,453)

	Managed Security Solutions RM	Others RM	Eliminations RM	Group RM
Assets and liabilities				
Segment assets	25,662,152	-	(6,343,319)	19,318,833
Segment liabilities	2,458,585	-	(88,074)	2,370,511
Other Information				
Capital expenditure	76,685	-	-	76,685
Amortisation of product development expenditure	845,040	-	-	845,040
Depreciation of investment properties	40,640	-	-	40,640
Depreciation of property, plant and equipment	557,124	-	-	557,124

EXTOL MSC BERHAD
(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

28. Segmental information (continued)

2012	Managed Security Solutions RM	Others RM	Eliminations RM	Group RM
Sales	18,200,821	973,915	(4,054,710)	15,120,026
Cost of Sales	(11,839,288)	(478,016)	4,054,710	(8,262,594)
Gross Profit	6,361,533	495,899	-	6,857,432
Profit before interest income	10,450	90,000	-	100,450
Interest income	103,773	-	-	103,773
Profit from operations	114,223	90,000	-	204,223
Finance costs	(19,636)	-	-	(19,636)
Profit before tax	94,587	90,000	-	184,587
Income tax expense	(57,630)	(54,837)	-	(112,467)
Net profit for the year attributable to owners of the Company	36,957	35,163	-	72,120

	Managed Security Solutions RM	Others RM	Eliminations RM	Group RM
Assets and liabilities				
Segment assets	31,439,902	-	(10,388,788)	21,051,114
Segment liabilities	6,879,883	-	(4,133,544)	2,746,339
Other Information				
Capital expenditure	50,040	-	-	50,040
Amortisation of product development expenditure	845,039	-	-	845,039
Depreciation of property, plant and equipment	664,992	-	-	664,992

EXTOL MSC BERHAD
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NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

29. Capital management

The primary objective of the Group's and of the Company's capital management is to ensure that it maintains an appropriate capital structure in order to support its business and maximise equity holder value.

The Group and the Company manage its capital structure and make adjustments to it, in light of change in economic conditions. No changes were made in the objectives, policies or process during the year except disclosed on the notes of financial statements ended 30 September 2013 and 2012 respectively.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables. Total capital is calculated as equity plus net debt.

	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Borrowings	1,000,000	16,284	712,226
Trade payables	864,848	1,740,510	1,273,339
Other payables	306,262	511,437	232,008
Net debts	2,171,110	2,268,231	2,217,573
Total equity	16,948,322	18,304,775	15,492,371
Total equity and net debts	19,119,432	20,573,006	17,709,944
Gearing ratio	0.11	0.11	0.13

30. Contingent liability and commitment

(a) Guarantee

During the financial year, the Company has provided corporate guarantee of a project financing facility for one of the subsidiary companies. No liability is expected to arise.

(b) Lease

The Group had entered into non-cancellable lease agreement for office and operating use, resulting in future rental commitments which can, subject to terms in the agreement, be revised annually based on prevailing market rates.

Group

	30.09.2013	30.09.2012	01.10.2011
		RM	RM
Within one year	627,186	538,560	538,560
Later than one year but not more than five years	141,390	438,666	977,226
More than five years	-	-	-
	768,576	977,226	1,515,786

EXTOL MSC BERHAD
(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

31. Financial instruments

The following table sets out the categories of the financial instruments as at the reporting date whose carrying amounts are reasonable approximation of fair value:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Financial assets				
- Amount due from subsidiaries	-	-	3,906,448	4,091,689
- Trade and other receivables(excluding prepayments)	3,122,509	3,352,740	80,644	81,644
- Cash and bank balances and fixed deposits	6,289,566	7,625,013	3,140,398	3,317,111
Total	9,412,075	10,977,753	7,127,490	7,490,444

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Financial liabilities				
-Borrowings	1,000,000	16,284	-	-
-Trade and other payables(excluding statutory liabilities)	1,171,110	2,218,947	212,402	238,984
Total	2,171,110	2,235,231	212,402	238,984

EXTOL MSC BERHAD
(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

31. Financial instruments (continued)

i) Financial risk management objective and policies

The Group's and the Company's financial risk management policies seek to ascertain that adequate financial resources are available for the development of the Group's and the Company's business whilst managing its foreign currency exchange, credit, liquidity and market risks.

ii) Interest rate risk

The Group and the Company are exposed to interest rate risk through the impact of interest rate changes on interest bearing borrowings from financial institutions. The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's and the Company's deposits and these financial assets are mainly short term in nature and they are not held for speculative purposes.

iii) Credit risk

The Group and the Company have no major concentration of credit risk. Cash is placed with credit worthy financial institutions. The maximum exposure to credit risk in the event that the counter-parties fail to perform their obligations as at end of the financial year in relation to trade receivable is the carrying amount of trade receivables as stated in the statement of financial position as at the end of the financial year.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is the carrying amount of the related financial assets recognised on the statement of financial position. Information regarding financial assets that are neither past due nor impaired are disclosed in Note 11.

iv) Foreign currency exchange risk

The Group and the Company are exposed to currency risk as a result of transactions entered into in currencies other than its functional currency. Foreign exchange exposures in transactional currencies other than functional currency are kept to an acceptable level. The Group and the Company have not entered into any derivative financial instruments such as forward foreign exchange contracts.

At 30 September 2013, if the RM had weakened/ strengthened by 5% against the USD with all other variables held constant, post-tax profit for the financial year would have been RM97,000 lower/ higher, mainly as a result of foreign exchange losses/ gains on translation of USD denominated receivables and cash at bank. The exposure to the other foreign currency risk of the Group and the Company is not material and hence, sensitivity analysis is no presented.

EXTOL MSC BERHAD
(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

31. Financial instruments (continued)

v) Liquidity risk

In the management of liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuation in cash flows.

The Group and the Company maintain adequate funds to meet their obligations as and when they fall due.

The maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment are within one year from the financial reporting date.

vi) Fair value of financial assets and financial liabilities

All financial assets and liabilities are stated at or close to their fair values unless otherwise disclosed in the notes to the financial statements. The carrying amounts of the financial assets and financial liabilities are reasonable approximation of fair values, either due to short term nature or insignificant impact of discounting.

32. Events subsequent to the reporting date

On 3 October 2013, Hong Leong Investment Bank Berhad ("HLIB"), on behalf of the Company had announced the proposal to undertake a private placement ("Private Placement") of new ordinary shares of RM0.10 each which representing up to 10% of the issued and paid-up share capital of the Company to investor(s) to be identified and at an issue price at RM0.105 per Placement Share.

The Private Placement has been approved by the relevant authorities and is pending for implementation.

EXTOL MSC BERHAD
(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS
for the financial year ended 30 September 2013

33. Supplementary information disclosed pursuant to Bursa Malaysia Securities Berhad Listing Requirements

With the purpose of improving transparency, Bursa Malaysia Securities Berhad has on 25 March 2010, and subsequently on 20 December 2010, issued directives which require all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on Company and Group basis in the annual audited financial statements.

The breakdown of retained profits as at the end of the reporting period has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securites Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Total retained earnings of the Company and its subsidiaries				
- Realised	1,133,083	2,826,214	1,213,074	2,244,831
- Unrealised	82,951	(253,727)	-	-
	1,216,034	2,572,487	1,213,074	2,244,831
Less: Consolidation adjustments	(1,067,996)	(1,067,996)	-	-
Retained earnings as per financial statements	148,038	1,504,491	1,213,074	2,244,831

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE NINE (9)-MONTH PERIOD ENDED 30 JUNE 2014

EXTOL MSC BERHAD
Company No. 643683-U
(Incorporated In Malaysia)

CERTIFIED TRUE COPY
TAN TONG LANG
COMPANY SECRETARY
MAICSA 7045482
19 NOV 2014

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 JUNE 2014
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Notes	Current Year Quarter 30 June 2014	Preceding Year Corresponding Quarter 30 June 2013	Current Year To Date 30 June 2014	Preceding Year Corresponding Period 30 June 2013
		RM'000	RM'000	RM'000	RM'000
Revenue		1,289	2,972	8,652	11,035
Cost of sales		(1,780)	(1,468)	(7,801)	(6,904)
Gross (loss)/profit		(491)	1,504	851	4,131
Other income		4	45	83	148
Interest income		17	30	64	100
Depreciation and amortisation		(237)	(353)	(780)	(1,088)
Gain/(Loss) in foreign exchange		8	37	(16)	9
Other operating expenses		(7,609)	(1,204)	(10,030)	(3,999)
(Loss)/Profit from operations		(8,308)	59	(9,828)	(699)
Interest expenses		-	(3)	-	(15)
(Loss)/Profit before taxation		(8,308)	56	(9,828)	(714)
Taxation		-	7	-	34
(Loss)/Profit after taxation		(8,308)	63	(9,828)	(680)
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/income for the period		**(8,308)**	**63**	**(9,828)**	**(680)**
(Loss)/Profit after taxation attributable to:					
Owners of the parent		(8,308)	63	(9,828)	(680)
Non-controlling interests		-	-	-	-
		(8,308)	63	(9,828)	(680)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(8,308)	63	(9,828)	(680)
Non-controlling interests		-	-	-	-
		(8,308)	63	(9,828)	(680)
Earnings Per Ordinary Share					
Basic (sen)		(5.98)	0.05	(7.78)	(0.54)
Diluted (sen)		(5.98)	N/A*	(7.36)	N/A*

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 September 2013 and the accompanying explanatory notes attached in this interim financial statements

*Not applicable when the diluted EPS is not presented as there were no potential dilutive ordinary share outstanding.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE NINE (9)-MONTH PERIOD ENDED 30 JUNE 2014 (*CONT'D*)

EXTOL MSC BERHAD
Company No. 643683-U
(Incorporated In Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 JUNE 2014
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30 June 2014 (Unaudited) RM'000	As At 30 September 2013 (Audited) RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	76	591
Investment properties	1,348	1,379
Goodwill	-	3,541
Product development expenditure	-	2,863
	1,424	8,374
CURRENT ASSETS		
Inventories	529	1,107
Trade receivables	2,442	2.795
Other receivables	674	755
Fixed deposits with a licensed bank	981	981
Cash and bank balances	4,634	5,308
	9,260	10,946
TOTAL ASSETS	**10,684**	**19,320**
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	13,896	12,632
Share premium	4.082	4.168
Retained (loss) / earnings	(9,680)	148
Equity attributable to owners of the parent	8.298	16.948
Non-controlling interest	-	-
Total Equity	8,298	16.948
NON-CURRENT LIABILITIES		
Borrowings	500	500
Deferred tax liabilities	113	113
	613	613
CURRENT LIABILITIES		
Trade payables	681	867
Other payables and accruals	589	306
Provision for taxation	3	86
Borrowings	500	500
	1.773	1.759
Total Liabilities	2,386	2,372
TOTAL EQUITY AND LIABILITIES	**10,684**	**19,320**
Weighted average number of ordinary shares at RM0.10 par each ('000)	133,496	126.320
Net Asset per share (sen)	6.22	13.42

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 September 2013 and the accompanying explanatory notes attached in this interim financial statments.

EXTOL MSC BERHAD
Company No. 643683-U
(Incorporated In Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 JUNE 2014
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	01 October 2013 to 30 June 2014	Corresponding period 01 October 2012 to 30 June 2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(9,828)	(714)
Adjustments for:-		
Amortisation of investment properties	31	-
Amortisation of product development expenditure	574	634
Written off of product development expenditure	2,525	-
Depreciation of property, plant and equipment	175	454
Written off of property, plant and equipment	372	-
Gain of disposal of property, plant and equipment	-	(10)
Impairment of goodwill	3,541	-
Bad debts written off	206	-
Inventories written off	134	-
Rental income	(67)	(87)
Interest income	(64)	(100)
Interest expenses	-	15
Operating (loss)/profit before working capital changes	(2,401)	192
Changes in working capital		
Decrease/(Increase) in inventories	444	(737)
Decrease in trade receivables	352	247
Increase in others receivables	(126)	(419)
Decrease in trade payables	(183)	(457)
Increase in bills payables	-	62
Increase/(Decrease) in other payables	283	(219)
	770	(1,523)
Cash used in operations	(1,631)	(1,331)
Taxation paid	(83)	(218)
Bills payable interest paid	-	(14)
Net cash used in operating activities	(1,714)	(1,563)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of property, plant and equipment	-	10
Purchase of property, plant & equipment	(33)	(67)
Product development expenditure	(236)	-
Rental income	67	87
Interest income	64	100
Placement of fixed deposits	-	(120)
Net cash (used in)/generated from investing activities	(138)	10
CASH FLOWS FOR FINANCING ACTIVITIES		
Proceed from share capital	1,264	-
Share issuance for listing expenses	(86)	-
Repayment to hire purchase creditor	-	(11)
Hire purchase interest paid	-	(1)
Net cash generated from/(used in) financing activities	1,178	(12)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(674)	(1,565)
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	5,308	6,771
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	4,634	5,206
Cash and cash equivalents comprise:		
Fixed deposits with licensed bank	981	974
Cash and bank balances	4,634	5,206
	5,615	6,180
Fixed deposits pledged	(981)	(974)
	4,634	5,206

The unaudited Condensed Consolidated of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 30 September 2013 and the accompanying explanatory notes attached in this interim financial statements.

EXTOL MSC BERHAD
Company No. 643683-U
(Incorporated In Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 JUNE 2014
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<------- *Attributable to owners of the Parent* ------->					
	<--- *Non-Distributable* --->		< *Distributable* >			
	Share Capital	**Share Premium**	**Retained (Loss) / Earnings**	**Total**	**Non-controlling Interest**	**Total Equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Nine (9) months ended 30 June 2014						
As at 1 October 2013	12,632	4,168	148	16,948	-	16,948
Issue of share capital	1,264	(86)	-	1,178	-	1,178
Total comprehensive loss for the period	-	-	(9,828)	(9,828)	-	(9,828)
As at 30 June 2014	13,896	4,082	(9,680)	8,298	-	8,298
Nine (9) months ended 30 June 2013						
As at 1 October 2012	12,632	4,168	1,504	18,304	-	18,304
Issue of share capital	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	(680)	(680)	-	(680)
Balance as at 30 June 2013	12,632	4,168	824	17,624	-	17,624

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 September 2013 and the accompanying explanatory notes attachedin this interim financial statements.

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QUARTERLY REPORT
Notes to the Quarterly Report for the Third Quarter Ended 30 June 2014
(The figures have not been audited)

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD ("FRS") 134 INTERIM FINANCIAL REPORTING

A1. BASIS OF PREPARATION

The interim financial statements of Extol MSC Berhad ("**Extol MSC" or "Company**") and its subsidiaries ("**Extol MSC Group**" or "**Group**") is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("**MFRS**") 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("**MASB**"), Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended ("**FYE**") 30 September 2013 and the accompanying explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 30 September 2013.

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the annual audited financial statements for the FYE 30 September 2013 except for the first-time adoption of MFRS Framework.

The Group has adopted the new MFRS Framework issued by the MASB with effect from 1 October 2013. This MFRS Framework comprises International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

In the transition to the MFRS Framework, the Group has applied MFRS 1 "First-time Adoption of MFRS" which provides certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters. Save for the required presentation of three statements of financial position in the first MFRS financial statements, there is no other significant impact on the Group's financial results and position, and changes to the accounting policies of the Group arising from the adoption of this MFRS Framework as the requirements under the previous Financial Reporting Standards ("**FRS**") Framework were equivalent to the MFRS Framework, although there are some difference in relation to the transitional provisions and effective dates contained in certain of the MFRSs.

MFRSs and Amendments to MFRSs that are applicable to the Group but not yet effective

MFRSs	**Title**	**Effective date**
9	Financial Instruments: *Classification and Measurement of Financial Assets and Financial Liabilities*	1 January 2015
10	Consolidated Financial Statements	1 January 2013
11	Joint arrangements	1 January 2013
12	Disclosure of Interest in Other Entities	1 January 2013
13	Fair Value Measurement	1 January 2013
119	Employee Benefits	1 January 2013
127	Separate Financial Statements	1 January 2013
132	Financial Instruments: *Offsetting Financial Assets and Financial Liabilities (Amendment to FRS 132)*	1 January 2014

The impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group and Company is not expected to be material.

EXTOL MSC BERHAD
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QUARTERLY REPORT
Notes to the Quarterly Report for the Third Quarter Ended 30 June 2014
(The figures have not been audited)

A2. AUDIT REPORT ON THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report on the preceding annual financial statements for the FYE 30 September 2013 was not subject to any qualification.

A3. SEASONALLY OR CYCLICAL FACTORS OF INTERIM OPERATIONS

The Group's operations are not materially affected by any major seasonal or cyclical factors during the financial quarter under review and financial period-to-date.

A4. UNUSUAL ITEMS AFFECTING ASSETS, LIBILITIES, EQUITY, NET INCOME OR CASH FLOWS

During the current financial quarter under review and the current financial year-to-date, there are no unusual significant items or events that arose, which affected the assets, liabilities, equity, net income or cash flows.

A5. MATERIAL CHANGE IN ESTIMATES

There were no material changes in estimates that have had material effect on the current financial quarter under review and financial period-to-date.

A6. ISSUANCES, CANCELLATIONS, REPURCHASE, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchase, resale and repayments of debts and equity securities held as treasury shares or resale of treasury shares during the current financial quarter under review and financial period-to-date.

A7. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The Company has reclassified the freehold office building from property, plant and equipment to investment properties.

There were no revaluation of property, plant and equipment during the financial quarter under review and financial period-to-date.

As at 31 December 2013, all property, plant and equipment were stated at cost less accumulated depreciation.

A8. DIVIDEND PAID

No dividend was declared, approved or paid during the financial quarter under review and financial period-to-date.

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A9. SEGMENTAL INFORMATION

Extol MSC Group is a one-stop Information and Communications Technology (**"ICT"**) security solutions provider offering a comprehensive spectrum of ICT security products and solutions to counter ICT security threats.

The Group offers ICT security products and solutions such as hardware and software security solutions and services, consultancy, forensic research and training known as Managed Security Solutions (**"MSS"**).

In addition, The Group also offers security-enhanced enterprise applications solutions known as Secured Enterprise Application (**"SEA"**) which is included under OTHERS.

The segmental revenue and results of the Group are as follows:

	Individual Three (3) months ended		**Cumulative Quarter Three (3) months ended**	
	30 June 2014	**30 June 2013**	**30 June 2014**	**30 June 2013**
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
MSS	330	3,739	10,373	12,820
OTHERS	1,719	67	1,787	325
	2,049	3,806	12,160	13,145
Inter-segment revenue	(760)	(834)	(3,508)	(2,110)
Total revenue	1,289	2,972	8,652	11,035
Segment Results				
MSS	(6,875)	84	(8,384)	(544)
OTHERS	(1,433)	(25)	(1,444)	(155)
(Loss)/Profit from operations	(8,308)	59	(9,828)	(699)
Financial cost	-	(3)	-	(15)
(Loss)/Profit before taxation	(8,308)	56	(9,828)	(714)

A10. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT FINANCIAL QUARTER

There were no material events to the end of the current financial quarter under review and financial period-to-date that has not been reflected in the interim financial statements.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial quarter under review and financial period-to-date.

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A12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

Pursuant to material litigation disclosed in Notes B9 disclosed in this quarterly report, the management is seeking legal advice to defend an action brought by XConnect against Extol Ventures Sdn Bhd. Based on preliminary assessment of the case, Directors are of the opinion that provisions are not required in respect of this matter, as the Writ of Summons and Statement of Claim is not expected to have any material financial and operational impact on the Group. At this juncture, Directors are also of the opinion that the amount of claim is not capable of reliable measurement.

A13. OPERATING LEASE COMMITMENTS

(a) Operating lease commitments as lessee

The future minimum lease payments payable under non-cancellable operating leases are:

	Group	
	30 June 2014	**30 September 2013**
	RM	RM
Within one year	723,941	-
Later than one year but not later than two years	904,926	-
Later that two years but not later than five years	-	-
Later than five year	-	-
	1,628,867	-

(b) Leasing arrangements

The Group leases a number of computer equipment software under non-cancellable operating lease agreements. The lease term is 3 years. None of the leases includes contingent rentals.

A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Directors of the Company are of the opinion that there are no related party transactions which would have a material impact on the financial position and the business of the Group during the current financial quarter under review and financial year-to-date.

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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF THE BURSA SECURITIES FOR THE ACE MARKET

B1. REVIEW OF PERFORMANCE FOR THE CURRENT QUARTER AND FINANCIAL PERIOD-TO-DATE ENDED 30 JUNE 2013

The Group recorded revenue in the current quarter ended 30 June 2014 of RM1.29 million, representing a decrease of approximately 56.6% as compared to the revenue of corresponding quarter of the preceding year ended 30 June 2013 of RM2.97 million. The decrease in revenue was mainly attributed to the low volume of sales as compared to the corresponding quarter of the preceding year ended 30 June 2013.

The Group's incurred loss after taxation (**"LAT"**) of RM8.31 million for the current quarter under review as compared to profit after tax of RM0.07 million recorded in the corresponding quarter of the preceding year.

B2. COMPARISON OF CURRENT QUARTER WITH THE IMMEDIATE PRECEDING QUARTER

	Current Quarter 30 June 2014 RM'000	**Preceding Quarter 31 March 2014** RM'000
Revenue	1,289	2,122
Gross (loss)/profits	(491)	717
Gross Margin	(38.1%)	33.79%
Loss before taxation ("LBT")	(8,308)	(694)

The Group recorded revenue in the current quarter ended 30 June 2014 of RM1.29 million, representing a decrease of 39.2% as compared to the revenue of previous quarter ended 31 March 2014 of RM2.12 million. The reduction in revenue and gross profit are mainly due to the stiff competition in the market and inventories written off. The inventories were written off because the inventories were not locatable.

The Group incurred LBT of RM 8.3 million for the current quarter under review as compared to LBT of RM0.69 million recorded in the previous quarter ended 31 March 2014. The increase in LBT is mainly due the followings:-

(i) written off all Plant and Equipment ("PPE") which are un-locatable amounting to RM0.34 million due to these assets has no future economic benefits are expected;

(ii) fully impair the goodwill amounting to RM3.51 million due to the management do not foresee any major business development which may turn around the respective financial position of from all subsidiaries in the near future;

(iii) written off the entire product development expenditure due to the products have not future economic benefits are expected

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B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

Despite the challenging company performance in the recent quarters, our Group is optimistic about the company's future by implementing a few business reformation strategies. The Group is currently undergoing some business division restructuring in order to expand our market share in the IT security business while expanding our market reach in the various markets.

B4. VARIANCE ON PROFIT FORECAST AND PROFIT GUARANTEE

Not applicable as no profit forecast or profit guarantee was provided

B5. TAXATION

Income tax expense comprises the followings:

	Individual Three (3) months ended		**Cumulative Quarter Three (3) months ended**	
	30 June 2014	**30 June 2013**	**30 June 2014**	**30 June 2013**
	RM'000	RM'000	RM'000	RM'000
In respect of the current period				
Income Tax	-	(56)	-	(77)
Deferred Tax	-	63	113	111
Total income tax expense	-	7	113	34

The Company was granted Pioneer Status in principle under the Promotion of Investments (Amendment) Act, 1986 by the Ministry of International Trade and Industry. The approved pioneer status was granted for 5 years period commencing from 27 September 2004. The Company submitted an application to Multimedia Development Corporation ("**MDEC**") for an extension of the pioneer status in August 2009 and approval was granted in 11 May 2010 for another 5 years. The company was granted the MSC status on 8 September 2004.

The Group's current effective tax rate is thus lower than the Malaysian Statutory tax rate of 25 %.

The deferred tax liabilities are provided on the temporary differences arising from the subsidiary company's property, plant and equipment and product development expenditure.

B6. STATUS OF CORPORATE PROPOSALS

There are no other corporate proposals announced but not completed as at the date of this report.

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B7. STATUS OF UTILISATION OF PROCEEDS

The Company's Private Placement of 12,632,400 new ordinary share was completed on 28 January 2014.

The Status of utilization of the proceeds from Private Placement as follows:

Purpose	**Proceeds Raise** RM'000	**Amount Utilised** RM'000	**Amount Unutilised** RM'000	**Intended Timeframe for utilization (from the date of list of the placement shares i.e 28 January 2014)**
Working Capital	1,177	540	637	Within 12 months
Listing Expenses	149	149	-	Within 1 month
Total	1,326	689	637	

B8. GROUP BORROWINGS AND DEBT SECURITIES

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at current FPE 30 June 2014 and previous FYE 30 September 2013 are as follows:

	As at 30 June 2014 RM'000	**As at 30 September 2013** RM'000
Short term borrowings - secured	500	500
Long term borrowings - secured	500	500
Total term borrowings	1,000	1,000

B9. MATERIAL LITIGATION

As at the reporting date, the following are the material litigation against the Group.

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

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.

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(The figures have not been audited)

B9. MATERIAL LITIGATION (CONT'D)

Details of claims by The Plantiff from the Defendant are as follow:-

i. An order for the delivery up of the PoP Equipment as stated in the Statement of Claim and damage to be assessed;
ii. Alternatively, judgment in the sum of US$171,071.58 to be paid by Defendant;
iii. Damages for detention of the PoP Equipment as stated in the Statement of Claim;
iv. Alternatively, damages for conversion of the PoP Equipment as stated in the Statement of Claim;
v. Interest on all sums found due and payable by the Defendant under Section 11 of the Civil Law Act, 1965 at the rate of 5% per annum from 19.08.2014 until full payment;
vi. Costs; and
vii. Such further and other relief as the Court deems fit and proper

B10. EARNINGS OR LOSS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the current financial quarter and current quarter to date are computed as follows:

	Current Quarter ended 30 June 2014	**Year To-date ended 30 June 2014**
Net loss attributed to equity holders of the company (RM'000)	(8,308)	(9,828)
Weighted average number of ordinary shares of RM0.10 in issue ('000)	138,956	126,324
Basic loss per ordinary shares (sen)	(5.98)	(7.78)

(b) Fully diluted earnings per share

The diluted earnings per share for current financial quarter and current quarter to date are computed as follows:

	Current Quarter ended 30 June 2014	**Year To-date-ended 30 June 2014**
Net loss attributed to equity holders of the company (RM'000)	(8,308)	(9,828)
Weighted average number of ordinary shares of RM0.10 in issue ('000)	138,956	133,496
Diluted loss per ordinary shares (sen)	(5.98)	(7.36)

EXTOL MSC BERHAD
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(Incorporated in Malaysia)

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(The figures have not been audited)

B11. REALISED AND UNREALISED PROFITS DISCLOSURE

Total retained profit may be analysed as follows:

	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000
Total retained (loss)/profits of the Group		
- Realised	(8,499)	2,035
- Unrealised	(113)	(143)
	(8,612)	1,892
Less: Consolidation adjustments	(1,068)	(1,068)
Total retained (loss)/profits as per statement of financial position	(9,680)	824

B12. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Total comprehensive income for the period was derived after charging / (crediting) the following items:

	Current Year Quarter 30 June 2014 RM'000	Current Year to Date 30 June 2014 RM'000
Interest income	(17)	(64)
Other income	(80)	(83)
Interest expenses	-	-
Depreciation and amortization	237	780
Bad debts written-off	206	206
Inventories written-off	134	134
Provision for written –off of receivables	-	-
Provision for written-off of inventories	-	-
Property, Plant and Equipment written-off	372	372
Product Development cost written-off	2,525	2,525
(Gain)/loss on disposal of quoted or unquoted investments	-	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Impairment of assets	-	-
Impairment of goodwill	3,541	3,541
Loss on foreign exchange	13	16
(Gain)/loss on derivatives	-	-
Exceptional items	-	-

B13. AUTHORISATION FOR ISSUE

The interim financial statements were authorized for issue on 25 August 2014 in accordance with resolution of the board of directors.

AppAsia

Registered Office:

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

28 NOV 2014

To: Shareholders of AppAsia Berhad ("**AppAsia**" or "**Company**")
(formerly known as Extol MSC Berhad)

Dear Sir/Madam,

On behalf of the Board of Directors of AppAsia ("**Board**"), I wish to report that after making due enquiries in relation to our Company and subsidiary companies ("**Group**") during the period between 30 September 2013 (being the date on which the latest audited consolidated financial statements have been made up) to the date thereof, being a date not earlier than fourteen (14) days before the date of this Abridged Prospectus that:

(i) in the opinion of the Board, the business of our Group has been satisfactorily maintained;

(ii) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;

(iii) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) save as disclosed in this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;

(v) since the last audited consolidated financial statements of our Group, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings; and

(vi) save as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the results of our Group since the last audited consolidated financial statements of our Group.

Yours faithfully
For and behalf of the Board of
APPASIA BERHAD
(formerly known as Extol MSC Berhad)

WONG NGAI YEOW
Executive Director

APPASIA BERHAD (643682-U)
(Formerly known as Extol MSC Berhad)
E-10-4, 10th Floor, Megan Avenue 1, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia. +603 2161 3211 +603 2162 3211 www.AppAsia.com

ADDITIONAL INFORMATION

1. SHARE CAPITAL

1.1 Save for the Rights Shares, Warrants and new Shares to be issued pursuant to the exercise of the Warrants, no securities in our Company will be allotted or issued on the basis of this AP later than twelve (12) months after the date of the issuance of this AP.

1.2 As at the date of this AP, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM0.10 each, all of which rank *pari passu* with one another.

1.3 Save as disclosed below and for the Entitled Shareholders who will be allotted the provisional Rights Shares with Warrants under the Rights Issue of Shares with Warrants, no person has been or is entitled to be granted an option to subscribe for any of our securities as at the LPD:

(iv) Under the SIS, up to thirty percent (30%) of the prevailing issued and paid-up share capital of our Company (excluding treasury shares, if any) can be issued at any one (1) time during the duration of five (5) years of the SIS (or such extended duration pursuant to the bylaws governing the SIS). The subscription price of each new AppAsia Share shall be fixed at the higher of the par value of AppAsia Shares of RM0.10 each or the 5D-VWAP of AppAsia Shares immediately preceding the date of offer of the SIS option with a discount of not more than ten percent (10%) or such lower or higher limit in accordance with any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time. As at the LPD, the SIS has not been implemented.

2. REMUNERATION OF DIRECTORS

The provisions in our Articles of Association in respect of the arrangements for the remuneration of Directors are as follows:

Article 94

The Directors shall be paid by way of remuneration for their services such fixed sum (if any) as shall from time to time be determined by the Company in general meeting, and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine, provided always that:

(a) fees payable to the Directors shall from time to time be determined by a resolution of the Company in general meeting, provided always that such fees shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting;

(b) save as provided in Article 94(a) hereof, an executive Director shall, subject to the terms of any agreement (if any) entered into in any particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the Directors may determine and need not be determined by the Company in general meeting;

(c) fees payable to non-executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover;

(d) salaries payable to executive Directors may not include a commission on or percentage of turnover; and

(e) any fee paid to an Alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 95

(a) The Directors shall be paid their entire travelling, hotel and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Directors or any committee of the Directors of the Company or general meetings of the Company.

(b) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determine by the Board provided that in the case of non-executive Directors of the Company, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an Executive Director, such remuneration may be either in addition to or in substitution for his share in the remuneration from time to time provided for the Directors.

3. MATERIAL CONTRACTS

Save as disclosed below, neither we nor our subsidiary companies have entered into any material contracts, (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this AP:

(i) the Deed Poll dated 19 November 2014 executed by our Company constituting the Warrants.

4. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, neither our Company nor our subsidiary companies are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company and our Group and there is no proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Group:

(i) <u>Kuala Lumpur Sessions Court Suit No. B52NCVC-246-08/2014</u>

A sealed copy of Writ of Summons and Statement of Claim dated 19 August 2014 was served to EVSB, a wholly owned subsidiary of our Company, by Messrs Wong & Partners, the advocates and solicitors for Xconnect.

The circumstances leading to the filing of the Writ of Summons and Statement of Claim against EVSB was due to the fact that EVSB has failed and/or default to settle the sum claimed by Xconnect.

Details of the claims by Xconnect from EVSB are as follows:

(a) an order for the delivery of the point of presence equipment as stated in the Statement of Claim and damage to be assessed;

(b) alternatively, judgment in the sum of USD171,071.58 to be paid by EVSB;

(c) damages for detention of the point of presence equipment as stated in the Statement of Claim;

(d) alternatively, damages for conversion of the point of presence equipment as stated in the Statement of Claim;

(e) interest on all sums found due and payable by EVSB under Section 11 of the Civil Law Act, 1965 at the rate of 5% per annum from 19 August 2014 until the date of full payment;

(f) costs; and

(g) such further and other relief as the Court deems fit and proper.

EVSB had on 15 September 2014 filed a Defence and Counterclaim against Xconnect and Mohd Badaruddin Bin Masodi, who had entered into the MIE Agreement for EVSB, on 3 October 2013 without any approval and/or ratification from the Board of Directors and/or the shareholders of EVSB.

By the MIE Agreement, Xconnect had appointed EVSB as the exclusive channel partner for the delivery of Xconnect's products and services to the customers in the territories of Malaysia and Indonesia.

Without the knowledge and/or the approval of the Board of Directors and/or shareholders of EVSB, Mohd Badaruddin Bin Masodi, as the Executive Deputy Chairman of TG Agas, had on 4 October 2013 entered into the MFA Agreement with Xconnect where all the provisions therein are identical to those found in the MIE Agreement.

EVSB avers that Xconnect had breached the MIE Agreement as the right of EVSB as the exclusive channel partner to supply Xconnect's products and services in Malaysia was denied by Xconnect entering into the MFA Agreement with TG Agas. EVSB avers that Xconnect has failed and/or refused to fulfil their obligations in the MIE Agreement. By reason of the matters aforesaid, EVSB denies being indebted to Xconnect as alleged in the Statement of Claim filed by Xconnect.

As such, EVSB claims that Xconnect through John Wilkinson and Mohd Badaruddin Bin Masodi who was a director and shareholder of both EVSB and TG Agas have acted to benefit TG Agas and to cause EVSB to suffer financial loss.

EVSB avers that Mohd Badaruddin Bin Masodi had breached its fiduciary duty under the Act where he shall at all times exercise his power for a proper purpose and in good faith in the best interest of EVSB.

Wherefore, EVSB counter claims against Xconnect and Mohd Badaruddin Bin Masodi as follows:

(a) Against Xconnect:

   (i) the sum of USD87,075.11;

   (ii) general damages;

   (iii) interest;

   (iv) costs; and

   (v) further or other relief as may be just.

(b) Against Mohd Badaruddin Bin Masodi:

(i) if Xconnect succeeds in its claim against EVSB, an Order that Mohd Badaruddin Bin Masodi to indemnify EVSB against all losses suffered and that he pays directly to Xconnect all of the judgement sum, including interests and costs, which EVSB is ordered to pay to Xconnect;

(ii) the sum of USD87,075.11;

(iii) general damages;

(iv) exemplary damages;

(v) interest;

(vi) costs; and

(vii) further or other relief as may be just.

The Court has adjourned the matter for decision of the application for security for costs against Xconnect (by Original Action) on 26 November 2014.

The solicitors acting for EVSB is of the opinion that EVSB has a good defence to the claim by Xconnect. The solicitors are of the opinion that EVSB has a meritorious counterclaim against both Xconnect and Mohd Badaruddin Bin Masodi and there is a reasonable prospect of success.

The estimated maximum exposure to liabilities is RM1.00 million including the costs as mentioned above.

5. GENERAL

5.1 There is no existing or proposed service contract entered or to be entered into by our Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this AP.

5.2 Save as disclosed in this AP and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:

(i) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;

(ii) material commitments for capital expenditure of our Group;

(iii) unusual or infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;

(iv) known trends or uncertainties that have had or that our Group reasonably expects will have, a material favourable or unfavourable impact on our Group's revenue or operating income;

(v) substantial increase in revenues; and

(vi) material information, including trading factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

6. CONSENTS

The Adviser, Company Secretaries, Independent Market Researcher, Principal Banker, Share Registrar, Solicitors for the Rights Issue of Shares with Warrants and Bloomberg Finance L.P. have given and have not subsequently withdrawn their written consents to the inclusion in this AP of their names and all references thereto in the form and context in which they appear in this AP.

The written consent of our Reporting Accountants and Auditors to the inclusion in this AP of their names and letter relating to the pro forma consolidated statements of financial position of our Group as at 30 September 2013 and the audited consolidated financial statements of our Group for the FYE 30 September 2013 respectively, and all references thereto in the form and context in which they appear have been given before the issuance of this AP and have not subsequently been withdrawn.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our Registered Office at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur during normal business hours from 8.30 a.m. to 5.30 p.m. from Monday to Friday (excluding public holidays) for the period of twelve (12) months from the date of this AP:

(i) our Memorandum and Articles of Association;

(ii) our audited financial statements for the past two (2) FYEs 30 September 2012 and 30 September 2013 and our latest unaudited consolidated financial statements for the nine (9)-month period ended 30 June 2014;

(iii) the pro forma consolidated statements of financial position as at 30 September 2013 and the Reporting Accountants' letter thereon as set out in Appendix III of this AP;

(iv) the Undertaking referred to in Section 2.4 of this AP;

(v) Directors' Report referred to as Appendix VI of this AP;

(vi) the Deed Poll;

(vii) the writ and relevant cause papers in relation to the material litigation matters as set out in Section 4 above;

(viii) Independent market research report on "IT Security Industry (Malaysia and Global), and Mobile Content and Application Industry (Malaysia)" dated November 2014; and

(ix) the letters of consent referred to in Section 6 above.

8. RESPONSIBILITY STATEMENT

This AP together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

TA Securities, being the Adviser for the Rights Issue of Shares with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning this Rights Issue of Shares with Warrants.