

QUARTERLY REPORT

Notes to the Quarterly Report for First Quarter Ended 31 March 2016
(The figures have not been audited)

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134 INTERIM FINANCIAL REPORTING

A1. BASIS OF PREPARATION

The interim financial statements of AppAsia Berhad (“**AppAsia**” or “**Company**”) and its subsidiaries (“**AppAsia 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**”) 31 December 2015 and the accompanying explanatory notes. These explanatory notes attached to the interim financial statement 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 FYE 31 December 2015.

The significant accounting policies and presentations adopted by the Group in this quarterly report are consistent with those adopted in the annual audited financial statements for the FYE 31 December 2015.

The adoption of the following Malaysian Financial Reporting Standards (“**MFRSs**”) and Amendments to MFRSs that come into effect on 1 January 2016 did not have any significant impact on the unaudited condensed consolidated financial statements of the Group upon their initial application.

Adoption of Amendments to MFRSs

During the financial period, the Group have adopted the following Amendments to MFRSs which are effective and mandatory for the current financial year:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012–2014 Cycle	
Amendments to MFRS 10, MFRS12 and MFRS 128	Investments Entities: Applying the Consolidation Exception

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A1. BASIS OF PREPARATION (CONT'D)

Adoption of above Amendments to MFRSs did not have any significant impact on the financial statements of the Group.

Standards issued but not yet effective

The Group have not applied the following MFRSs and Amendments to MFRSs that have been issued by MASB but are not yet effective for the Group:

		Effective dates for financial periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
Amendments to MFRS 112	Recognition of Deferred Tax	1 January 2017
Amendments to MFRS 107	Disclosures Initiatives	1 January 2017
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Group intends to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs is not expected to have any significant impacts on the financial statements of the Group.

A2. AUDIT REPORT ON THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report on the preceding annual financial statements of the Group for the FYE 31 December 2015 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, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

During the current financial quarter under review and the current financial period-to-date, there are no unusual significant items or events that arose, which affected the assets, liabilities, equity, net income or cash flows.

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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. DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, or repayments of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares, repurchase and resale of treasury shares for the current financial quarter under review and the financial period-to-date.

A7. VALUATION OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

There were no revaluation of property, plant and equipment and investment properties during the financial quarter under review and financial period-to-date.

All property, plant and equipment and investment properties 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.

A9. SEGMENTAL INFORMATION

In line with the Group's strategy to penetrate into different IT consumers market, the management has currently segregate the Group into 2 core business units based on different products, services and market segments as follows:

1. ICT Security Business

The ICT Security Business provides the solutions, products and services in the information technology security sector. It includes the managed security services, security-enhanced enterprise solutions, managed infrastructure services, IT hardware and software trading, professional consultancy, system development, security penetration testing, forensic research and specialized training services.

2. E-Commerce Business

The E-Commerce Business mainly focuses in the research, development and operation of the e-commerce websites and mobile applications. The Group aims to further expand the existing online fashion wholesale mall into a global e-marketplace targeted for various consumer markets. The major revenue of the E-Commerce Business is mainly from the online merchandize transaction.

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A9. SEGMENTAL INFORMATION (CONT'D)

The Group management strategically dedicates the operation of each business units to the respective subsidiaries and monitors the operation separately for effective resource allocation and performance assessment. Each business unit's performance is evaluated based on the long term business value and profitability.

The segmental revenue and results of the Group are as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current Quarter</u>	<u>Preceding Year Corresponding Quarter</u>	<u>Current Year To Date</u>	<u>Preceding Year Corresponding Period</u>
	<u>31 March 2016</u>	<u>31 March 2015</u>	<u>31 March 2016</u>	<u>31 March 2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Segment Revenue				
ICT security business	634	3,127	634	3,127
E-commerce business	636	355	636	355
Total revenue	1,270	3,482	1,270	3,482
Segment Results				
ICT security business	111	2,047	111	2,047
E-commerce business	(2,956)	(1,194)	(2,956)	(1,194)
(Loss)/profit from operations	(2,845)	853	(2,845)	853
Finance costs	(1)	(1)	(1)	(1)
(Loss)/profit before taxation	(2,846)	852	(2,846)	852

A10. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT FINANCIAL QUARTER

On 7 April 2016, the Board of Directors of AppAsia wishes to inform that the Company had received a letter from the Company's Solicitors informing that Mohd Badaruddin Bin Masodi's ("Appellant") appeal had been fixed for case management on 29 April 2016 pending filing of the Additional Record of Appeal.

On 6 May 2016, the Board of Directors of AppAsia wishes to inform that the Company had received a letter from the Company's Solicitors informing that the Appellant's appeal had been fixed for hearing on 28 July 2016.

Save from the above, there was no material event 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.

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A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the period under review.

A12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

Save from the material events disclosed in Notes A10 in this quarterly report, there was no contingent assets at the end of the current financial quarter under review and financial period-to-date that has not been reflected in the interim financial statements.

A13. CAPITAL COMMITMENTS

There was no capital commitments during the period under review.

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 period-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 YEAR-TO-DATE ENDED 31 DECEMBER 2015

The Group recorded revenue in the current quarter ended 31 March 2016 of RM 1.27 million, representing an decrease of approximately 63.51% as compared to the revenue of corresponding quarter of the preceding period ended 31 March 2015 of RM 3.48 million.

The Group recorded a loss after taxation of RM2.85 million for the current quarter under review as compared to a profit after taxation of RM 0.85 million recorded in the corresponding quarter of the preceding period.

B2. COMPARISON OF CURRENT QUARTER WITH THE IMMEDIATE PRECEDING QUARTER

	Current quarter 31 March 2016 RM'000	Preceding quarter 31 December 2015 RM'000
Revenue	1,270	1,770
Gross profits	1,126	641
Gross Margin	88.66%	36.22%
Loss before taxation	(2,846)	(2,008)

The Group recorded revenue in the current quarter ended 31 March 2016 of RM 1.27 million, representing an decrease of 28.25% as compared to the revenue of previous quarter ended 31 December 2015 of RM 1.77 million.

The Group recorded a loss before taxation of RM 2.85 million for the current quarter under review as compared to a loss before taxation of RM 2.01 million recorded in the previous quarter ended 31 December 2015.

B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Board is of the view that, barring any unforeseen circumstances, the ICT security segment is expected to remain challenging given the competitive market. Our Group will continue and try our best to improve in meeting better result in ICT security segment.

Besides, our Group is optimistic about the Company's future by expanding into the e-commerce business.

B4. VARIANCE ON PROFIT FORECAST AND PROFIT GUARANTEE

Not applicable as no profit forecast or profit guarantee was provided.

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B5. TAXATION

Income tax income comprises the followings:

	Individual 31 March 2016 RM'000	Quarter Ended 31 March 2015 RM'000	Cumulative 31 March 2016 RM'000	Quarter Ended 31 March 2015 RM'000
In respect of the current period				
Taxation				
- Current year	-	-	-	-
- Overprovision in prior year	-	-	-	-
Deferred taxation	-	-	-	-
Total income tax income	-	-	-	-

B6. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the date of this report.

B7. STATUS OF UTILISATION OF PROCEEDS

The Status of utilization of the proceeds from Rights Issue of Shares with Warrants as follows:

Purpose	Proceeds Raise RM'000	Amount Utilised RM'000	Amount Unutilised RM'000	Intended Timeframe for utilisation (from the date of listing i.e 2 January 2015)
Research and development for new product	3,882	1,923	1,959	Within 24 months
Purchase of production and operation equipment	1,151	809	342	Within 24 months
Working Capital	8,296	7,430	866	Within 24 months
Listing Expenses	567	567	-	Within 2 weeks
Total	13,896	10,729	3,167	

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B8. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings denominated in Ringgit Malaysia as at the end of the current quarter under review are as follows:

	31 March 2016 RM'000
Secured – short term	
Finance lease payables	27
Secured – long term	
Finance lease payables	48
Total Borrowings	<u>75</u>

B9. MATERIAL LITIGATION

Save as disclosed in Note A10, there was no material event to the end of the current financial quarter under review.

B10. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share for the current financial quarter and financial period to-date are computed as follows:

	Current quarter ended 31 March 2016	Cumulative quarter ended 31 March 2016
Net loss attributed to equity holders of the Company (RM'000)	(2,846)	(2,846)
Weighted average number of ordinary shares of RM0.10 in issue ('000)	281,123	281,123
Basic loss per share (sen)	(1.01)	(1.01)

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B10. LOSS PER SHARE (CONT'D)

(b) Diluted loss per share

The diluted loss per share for current financial quarter and financial period to-date are computed as follows:

	Current quarter ended 31 March 2016	Cumulative quarter ended 31 March 2016
Net loss attributed to equity holders of the Company (RM'000)	(2,846)	(2,846)
Weighted average number of ordinary shares of RM0.10 in issue ('000)	281,123	281,123
Diluted loss per share (sen)	(1.01)	(1.01)

B11. REALISED AND UNREALISED LOSSES DISCLOSURE

Total accumulated losses may be analysed as follows:

	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
Total accumulated losses of the Group		
Realised	(17,007)	(14,161)
Unrealised	-	-
	(17,007)	(14,161)
Less: Consolidation adjustments	(4,070)	(4,070)
Total accumulated losses as per condensed consolidated statement of financial position	(21,077)	(18,231)

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B12. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)

Total comprehensive (loss) for the period was derived after charging / (crediting) the following items:

	Current quarter ended	Cumulative quarter ended
	31 March 2016	31 March 2016
	RM'000	RM'000
Depreciation	252	252
Unrealised loss on foreign exchange	92	92
Finance costs	1	1
Interest income	(44)	(44)
Rental income	(37)	(37)

B13. AUTHORISATION FOR ISSUE

The interim financial statements were authorized for issue on 25 May 2016 in accordance with resolution of the board of directors.