

APPASIA BERHAD

Company No. 643683-U

(Incorporated In Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | <u>INDIVIDUAL QUARTER</u> | | <u>CUMULATIVE QUARTER</u> | |
|---|------|--|---|--|--|
| | | Current Year Quarter <u>30 Sept 2016</u> RM'000 | Preceding Year Corresponding Quarter <u>30 Sept 2015</u> RM'000 | Current Year To Date <u>30 Sept 2016</u> RM'000 | Preceding Year Corresponding Period <u>30 Sept 2015</u> RM'000 |
| Revenue | A9 | 1,157 | 2,935 | 3,609 | 8,326 |
| Cost of sales | | <u>(144)</u> | <u>(1,197)</u> | <u>(669)</u> | <u>(2,954)</u> |
| Gross profit | | 1,013 | 1,738 | 2,940 | 5,372 |
| Other income | | 249 | 342 | 416 | 535 |
| Administrative expenses | | <u>(1,891)</u> | <u>(3,205)</u> | <u>(8,335)</u> | <u>(8,921)</u> |
| Loss from operations | | (629) | (1,125) | (4,979) | (3,014) |
| Finance costs | | <u>(3)</u> | <u>(2)</u> | <u>(6)</u> | <u>(37)</u> |
| Loss before taxation | | (632) | (1,127) | (4,985) | (3,051) |
| Taxation | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Loss after taxation | | (632) | (1,127) | (4,985) | (3,051) |
| Other comprehensive income | | | | | |
| Exchange difference arising on translation of foreign operation | | (29) | (2) | (22) | (2) |
| Total comprehensive loss for the period | | <u>(661)</u> | <u>(1,129)</u> | <u>(5,007)</u> | <u>(3,053)</u> |
| Loss after taxation attributable to: Equity holders of the parent | | <u>(632)</u> | <u>(1,127)</u> | <u>(4,985)</u> | <u>(3,051)</u> |
| Total comprehensive loss attributable to: Equity holders of the parent | | <u>(661)</u> | <u>(1,129)</u> | <u>(5,007)</u> | <u>(3,053)</u> |
| Loss Per Share | | | | | |
| Basic (sen) | B10 | (0.22) | (0.40) | (1.77) | (1.09) |
| Diluted (sen) | B10 | (0.22) | (0.40) | (1.77) | (1.07) |

Notes:

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached in this interim financial statements.

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(Incorporated In Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 30 Sept 2016 | 31 Dec 2015 |
|--|----------------------|----------------------|
| | (Unaudited) | (Audited) |
| | RM'000 | RM'000 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 1,353 | 1,290 |
| Investment properties | 3,722 | 1,287 |
| Goodwill | 6 | - |
| | <u>5,081</u> | <u>2,577</u> |
| CURRENT ASSETS | | |
| Inventories | 325 | 532 |
| Trade receivables | 1,179 | 517 |
| Other receivables | 927 | 1,877 |
| Tax recoverable | 93 | 85 |
| Deposits placed with licensed banks | 16 | 242 |
| Cash and bank balances | 5,913 | 11,476 |
| | <u>8,453</u> | <u>14,729</u> |
| TOTAL ASSETS | <u>13,534</u> | <u>17,306</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the parent | | |
| Share capital | 28,112 | 28,112 |
| Share premium | 4,013 | 4,013 |
| Share issuance scheme option reserve | 1,923 | 1,286 |
| Foreign currency translation reserve | (25) | (3) |
| Warrants reserve | 20,982 | 20,982 |
| Other reserve | (20,982) | (20,982) |
| Accumulated losses | (22,605) | (18,231) |
| Total Equity | <u>11,418</u> | <u>15,177</u> |
| NON-CURRENT LIABILITY | | |
| Finance lease payable | 257 | 48 |
| CURRENT LIABILITIES | | |
| Trade payables | 16 | 469 |
| Other payables | 1,815 | 1,577 |
| Finance lease payable | 28 | 35 |
| | <u>1,859</u> | <u>2,081</u> |
| Total Liabilities | <u>2,116</u> | <u>2,129</u> |
| TOTAL EQUITY AND LIABILITIES | <u>13,534</u> | <u>17,306</u> |
| | - | - |
| Weighted average number of ordinary shares at RM0.10 par each ('000) | 281,123 | 277,532 |
| Net asset per share (sen) | 4.06 | 5.47 |

Notes:

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached in this interim financial statements.

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(Incorporated In Malaysia)**QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | <----- Attributable to Equity Holders of the Parent -----> | | | | | | | |
|---|--|------------------|-----------------------------------|---|---------------------|------------------|-----------------------|-----------------|
| | <----- Non-Distributable -----> | | | | | | | |
| | Share Capital | Share Premium | Share-Based Payment Reserve | Foreign Currency Translation Reserve | Warrants Reserve | Other Reserve | Accumulated Losses | Total Equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Current period-to-date ended | | | | | | | | |
| 30 September 2016 | | | | | | | | |
| As at 1 January 2016 | 28,112 | 4,013 | 1,286 | (3) | 20,982 | (20,982) | (18,231) | 15,177 |
| Shares options granted under SIS | - | - | 1,248 | - | - | - | - | 1,248 |
| Shares options lapsed | - | - | (611) | - | - | - | 611 | - |
| Total comprehensive loss for the period | - | - | - | (22) | - | - | (4,985) | (5,007) |
| As at 30 September 2016 | 28,112 | 4,013 | 1,923 | (25) | 20,982 | (20,982) | (22,605) | 11,418 |
| Corresponding period-to-date ended | | | | | | | | |
| 30 September 2015 | | | | | | | | |
| As at 1 January 2015 | 13,896 | 4,082 | - | - | - | - | (13,053) | 4,925 |
| Issuance of shares pursuant to: - | | | | | | | | |
| Rights issue | 13,895 | - | - | - | - | - | - | 13,895 |
| Share issuance scheme | 321 | 266 | - | - | - | - | - | 587 |
| Issuance of warrants | - | - | - | - | 20,982 | (20,982) | - | - |
| Shares issuance expenses | - | (567) | - | - | - | - | - | (567) |
| Share-based payment | - | - | 1,518 | - | - | - | - | 1,518 |
| Exercised of SIS | - | 232 | (232) | - | - | - | - | - |
| Total comprehensive loss for the period | - | - | - | (2) | - | - | (3,051) | (3,053) |
| As at 30 September 2015 | 28,112 | 4,013 | 1,286 | (2) | 20,982 | (20,982) | (16,104) | 17,305 |

Notes:

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached in this interim financial statements.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | 1 January 2016 to 30 Sept 2016 | Preceding Year Corresponding Period 1 January 2015 to 30 Sept 2015 |
|--|-----------------------------------|---|
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (4,985) | (3,051) |
| Adjustments for:- | | |
| Bad debts written off | - | 1 |
| Depreciation of investment properties | 65 | 30 |
| Depreciation of property, plant and equipment | 638 | 275 |
| Gain on disposal of property, plant and equipment | (22) | - |
| Written off of property, plant and equipment | 30 | - |
| Share-based payment | 1,248 | 1,518 |
| Interest expense | 6 | 37 |
| Interest income | (108) | (166) |
| Unrealised loss/(gain) on foreign exchange | 47 | (103) |
| Operating loss before working capital changes | (3,081) | (1,459) |
| Changes in working capital | | |
| Inventories | 207 | (694) |
| Trade receivables | (662) | (109) |
| Other receivables | 950 | 160 |
| Trade payables | (453) | (371) |
| Other payables | 238 | 1,390 |
| | 280 | 376 |
| Cash used in operations | (2,801) | (1,083) |
| Interest paid | (6) | (37) |
| Interest income | 108 | 166 |
| Tax paid | (8) | (45) |
| Foreign exchange translation differences | (22) | (2) |
| Net cash used in operating activities | (2,729) | (1,001) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of property, plant and equipment | 21 | - |
| Purchase of property, plant and equipment | (730) | (774) |
| Purchase of investment properties | (2,500) | - |
| Net cash flows from acquisition of business | (6) | (414) |
| Withdrawal of fixed deposits pledged | 226 | 66 |
| Net cash used in investing activities | (2,989) | (1,122) |
| CASH FLOWS FOR FINANCING ACTIVITIES | | |
| Proceeds on issuance of shares capital | - | 14,216 |
| Premium on issuance of shares capital | - | 266 |
| Shares issuance expenses | - | (567) |
| Repayment of bank borrowing | - | (500) |
| Drawdown of finance lease payable | 240 | - |
| Repayment of finance lease payable | (38) | (44) |
| Net cash generated from financing activities | 202 | 13,371 |
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | (5,516) | 11,248 |
| EFFECT OF EXCHANGE TRANSLATION ON CASH AND CASH EQUIVALENTS | (47) | 103 |
| OPENING BALANCE OF CASH AND CASH EQUIVALENTS | 11,476 | 2,179 |
| CLOSING BALANCE OF CASH AND CASH EQUIVALENTS | 5,913 | 13,530 |
| Cash and cash equivalents comprise: | | |
| Deposits placed with licensed banks | 16 | 242 |
| Cash and bank balances | 5,913 | 13,530 |
| | 5,929 | 13,772 |
| Less: Fixed deposits pledged | (16) | (242) |
| | 5,913 | 13,530 |

Notes:

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached in this interim financial statements.

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Notes to the Quarterly Report for Third Quarter Ended 30 September 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 |

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

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A1. BASIS OF PREPARATION (CONT'D)

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 for Unrealised Losses | 1 January 2017 |
| Amendments to MFRS 107 | Disclosures Initiatives | 1 January 2017 |
| MFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| Amendments to MFRS 15 | Classification to MFRS 15 | 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>30 September 2016</u> | <u>30 September 2015</u> | <u>30 September 2016</u> | <u>30 September 2015</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Segment Revenue | | | | |
| ICT security business | 612 | 1,638 | 1,849 | 5,424 |
| E-commerce business | 545 | 1,297 | 1,760 | 2,902 |
| Total revenue | 1,157 | 2,935 | 3,609 | 8,326 |
| Segment Results | | | | |
| ICT security business | (71) | 161 | (161) | 2,187 |
| E-commerce business | (558) | (1,286) | (4,818) | (5,201) |
| Loss from operations | (629) | (1,125) | (4,979) | (3,014) |
| Finance costs | (3) | (2) | (6) | (37) |
| Loss before taxation | (632) | (1,127) | (4,985) | (3,051) |

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.

On 22 August 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 decision on 5 September 2016.

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A10. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT FINANCIAL QUARTER (CONT'D)

On 5 September 2016, the Board of Directors of AppAsia wishes to inform that the appeal of Appellant has been dismissed by the High Court. AppAsia shall proceed to enforce the judgment by issuing a Bankruptcy Notice against Bada to demand for payment of the judgment sum.

On 13 October, the Board of Directors of AppAsia wishes to inform that the Company had on 13 October 2016 received a letter from the Company's Solicitors informing that bankruptcy proceedings has been fixed for case management on 28 February 2017 pending service of the bankruptcy notice on Judgment Debtor.

On 23 November 2016, the Board of Directors of AppAsia is pleased to announce that the Company proposes to list several of its wholly-owned subsidiaries, namely AppAsia Studio Sdn Bhd, AppAsia Mall Sdn Bhd, AppAsia International Sdn Bhd and AppAsia International Pty Ltd (collectively referred to as "Subsidiaries") on the ASX via an investment holding company to be incorporated in Australia. The Subsidiaries are principally involved in e-commerce and mobile applications businesses.

On 23 November 2016, the Board of Directors of AppAsia wishes to announce that Extol International Sdn. Bhd ("EISB"), a wholly-owned subsidiary of AppAsia, had on 23 November 2016 entered into a Reseller Service Agreement ("Contract") with Alibaba.com Singapore E-Commerce Private Limited ("Alibaba Cloud") for the appointment of EISB as Alibaba Cloud's non-exclusive reseller to drive the sale of certain cloud computing and technology products and services of Alibaba Cloud by recruiting, inviting or soliciting companies and individuals to purchase or subscribe for such cloud computing and technology products and services.

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.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

On 4 October 2016, the Company had on 3 October 2016 acquired sixty thousand (60,000) ordinary shares of RM1.00 each in AppAsia Express Sdn. Bhd. (Company No. 1200488-K) ("AppAsia Express") at a total consideration of RM60,000.00 (Ringgit Malaysia Sixty Thousand) only to be satisfied entirely via cash ("Acquisition"). AppAsia holds 20% of the share capital of AppAsia Express.

Save for the above, 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.

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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 30 September 2016 of RM 1.16 million, representing an decrease of approximately 60.58 % as compared to the revenue of corresponding quarter of the preceding period ended 30 September 2015 of RM 2.94 million. The decrease in revenue was mainly attributable to the intense competition as well as currency depreciation.

The Group recorded a loss after taxation of RM 0.63 million for the current quarter under review as compared to a loss after taxation of RM 1.13 million recorded in the corresponding quarter of the preceding period.

B2. COMPARISON OF CURRENT QUARTER WITH THE IMMEDIATE PRECEDING QUARTER

| | Current quarter 30 September 2016 RM'000 | Preceding quarter 30 June 2016 RM'000 |
|----------------------|---|--|
| Revenue | 1,157 | 1,182 |
| Gross profits | 1,013 | 801 |
| Gross Margin | 87.55% | 67.77% |
| Loss before taxation | (632) | (1,507) |

The Group recorded revenue in the current quarter ended 30 September 2016 of RM 1.16 million, representing an decrease of 1.69% as compared to the revenue of previous quarter ended 30 June 2016 of RM 1.18 million. The decrease in revenue was mainly attributed to the decrease in E-commerce business which represented approximately 5.87%.

The Group recorded a loss before taxation of RM 0.63 million for the current quarter under review as compared to a loss before taxation of RM 1.51 million recorded in the previous quarter ended 30 June 2016.

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 the e-commerce business.

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B4. VARIANCE ON PROFIT FORECAST AND PROFIT GUARANTEE

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

B5. TAXATION

Income tax income comprises the followings:

| | Individual 30 September 2016 RM'000 | Quarter Ended 30 September 2015 RM'000 | Cumulative 30 September 2016 RM'000 | Quarter Ended 30 September 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

Save from the material events disclosed in Notes A10 in this quarterly report, there was no other corporate proposal 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.

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 | 3,501 | 381 | Within 24 months |
| Purchase of production and operation equipment | 1,151 | 1,151 | - | Within 24 months |
| Working Capital | 8,296 | 8,296 | - | Within 24 months |
| Listing Expenses | 567 | 567 | - | Within 2 weeks |
| Total | 13,896 | 13,515 | 381 | |

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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:

| | 30 September 2016 RM'000 |
|-----------------------------|---|
| Secured – short term | |
| Finance lease payables | 28 |
| Secured – long term | |
| Finance lease payables | 257 |
| Total Borrowings | <u>285</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 30 September 2016 | Cumulative quarter ended 30 September 2016 |
|--|--|---|
| Net loss attributed to equity holders of the Company (RM'000) | (632) | (4,985) |
| Weighted average number of ordinary shares of RM0.10 in issue ('000) | 281,123 | 281,123 |
| Basic loss per share (sen) | (0.22) | (1.77) |

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(The figures have not been audited)

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 30 September 2016 | Cumulative quarter ended 30 June 2016 |
|--|--|--|
| Net loss attributed to equity holders of the Company (RM'000) | (632) | (4,985) |
| Weighted average number of ordinary shares of RM0.10 in issue ('000) | 281,123 | 281,123 |
| Diluted loss per share (sen) | (0.22) | (1.77) |

B11. REALISED AND UNREALISED LOSSES DISCLOSURE

Total accumulated losses may be analyzed as follows:

| | As at 30 September 2016 RM'000 | As at 31 December 2015 RM'000 |
|--|--|--|
| Total accumulated losses of the Group | | |
| Realised | (18,541) | (14,161) |
| Unrealised | - | - |
| | <hr style="width: 100%; border: 0.5px solid black;"/> (18,541) | <hr style="width: 100%; border: 0.5px solid black;"/> (14,161) |
| Less: Consolidation adjustments | (4,064) | (4,070) |
| | <hr style="width: 100%; border: 0.5px solid black;"/> | <hr style="width: 100%; border: 0.5px solid black;"/> |
| Total accumulated losses as per condensed consolidated statement of financial position | <hr style="width: 100%; border: 1px solid black;"/> (22,605) | <hr style="width: 100%; border: 1px solid black;"/> (18,231) |

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(The figures have not been audited)

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 |
|---|----------------------------------|-------------------------------------|
| | 30 September 2016 | 30 September 2016 |
| | RM'000 | RM'000 |
| Depreciation | 231 | 703 |
| Unrealised loss on foreign exchange | 14 | 47 |
| Finance costs | 3 | 6 |
| Interest income | (35) | (108) |
| Rental income | (38) | (113) |
| Written off of property, plant and equipment | - | 30 |
| Gain on disposal of property, plant and equipment | (18) | (22) |

B13. AUTHORISATION FOR ISSUE

The interim financial statements were authorized for issue on 30 November 2016 in accordance with resolution of the board of directors.