

**APPASIA BERHAD**  
Company No. 643683-U  
(Incorporated In Malaysia)

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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>31 Dec 2016</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2015</u> RM'000	Current Year To Date <u>31 Dec 2016</u> RM'000	Preceding Year Corresponding Period <u>31 Dec 2015</u> RM'000
Revenue	A9	1,050	1,747	4,659	10,073
Cost of sales		<u>(413)</u>	<u>(1,130)</u>	<u>(1,082)</u>	<u>(4,084)</u>
Gross profit		637	617	3,577	5,989
Other income		(25)	116	391	651
Administrative expenses		<u>(2,357)</u>	<u>(2,828)</u>	<u>(10,692)</u>	<u>(11,749)</u>
<b>Loss from operations</b>		<b>(1,745)</b>	<b>(2,095)</b>	<b>(6,724)</b>	<b>(5,109)</b>
Finance costs		<u>(3)</u>	<u>(3)</u>	<u>(9)</u>	<u>(40)</u>
<b>Loss before taxation</b>		<b>(1,748)</b>	<b>(2,098)</b>	<b>(6,733)</b>	<b>(5,149)</b>
Taxation		<u>-</u>	<u>(29)</u>	<u>-</u>	<u>(29)</u>
<b>Loss after taxation</b>		<b>(1,748)</b>	<b>(2,127)</b>	<b>(6,733)</b>	<b>(5,178)</b>
<b>Other comprehensive gain / (loss)</b>					
Exchange difference arising on translation of foreign operation		18	-	(4)	(2)
<b>Total comprehensive loss for the year</b>		<b><u>(1,730)</u></b>	<b><u>(2,127)</u></b>	<b><u>(6,737)</u></b>	<b><u>(5,180)</u></b>
Loss after taxation attributable to: Equity holders of the parent		<u>(1,748)</u>	<u>(2,127)</u>	<u>(6,733)</u>	<u>(5,178)</u>
Total comprehensive loss attributable to: Equity holders of the parent		<u>(1,730)</u>	<u>(2,127)</u>	<u>(6,737)</u>	<u>(5,180)</u>
<b>Loss Per Share</b>					
Basic (sen)	B10	(0.62)	(0.76)	(2.39)	(1.85)
Diluted (sen)	B10	(0.52)	(0.76)	(2.39)	(1.85)

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.

**APPASIA BERHAD**  
Company No. 643683-U  
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**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	(Unaudited) As At 31 Dec 2016 RM'000	(Audited) As At 31 Dec 2015 RM'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	1,150	1,290
Investment properties	3,699	1,287
Investment in associates company	60	-
Research and development expenditure	400	-
	5,309	2,577
<b>CURRENT ASSETS</b>		
Inventories	287	532
Trade receivables	153	517
Other receivables	731	1,877
Tax recoverable	108	85
Fixed deposits placed with licensed banks	17	242
Cash and bank balances	5,176	11,476
	6,472	14,729
<b>TOTAL ASSETS</b>	<b>11,781</b>	<b>17,306</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	28,372	28,112
Share premium	4,411	4,013
Share issuance scheme option reserve	1,741	1,286
Foreign currency translation reserve	(6)	(2)
Warrants reserve	20,982	20,982
Other reserve	(20,982)	(20,982)
Accumulated losses	(24,354)	(18,232)
<b>Total Equity</b>	10,164	15,177
<b>NON-CURRENT LIABILITY</b>		
Finance lease payable	142	48
<b>CURRENT LIABILITIES</b>		
Trade payables	42	469
Other payables	1,318	1,577
Finance lease payable	115	35
	1,475	2,081
<b>Total Liabilities</b>	1,617	2,129
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11,781</b>	<b>17,306</b>
	-	-
Weighted average number of ordinary shares at RM0.10 par each ('000)	281,478	279,271
Net asset per share (sen)	3.61	5.43

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.

**APPASIA BERHAD**  
Company No. 643683-U  
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**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
<b>Current year-to-date ended</b>								
<b>31 December 2016</b>								
As at 1 January 2016	28,112	4,013	1,286	(2)	20,982	(20,982)	(18,232)	15,177
Shares option granted under SIS	-	-	1,248	-	-	-	-	1,248
Shares options lapsed	-	-	(611)	-	-	-	611	-
Exercised of SIS	260	398	(182)	-	-	-	-	476
Total comprehensive loss for the year	-	-	-	(4)	-	-	(6,733)	(6,737)
As at 31 December 2016	<u>28,372</u>	<u>4,411</u>	<u>1,741</u>	<u>(6)</u>	<u>20,982</u>	<u>(20,982)</u>	<u>(24,354)</u>	<u>10,164</u>
<b>Corresponding year-to-date ended</b>								
<b>31 December 2015</b>								
As at 1 January 2015	13,896	4,082	-	-	-	-	(13,054)	4,924
Issued of ordinary shares	13,895	-	-	-	-	-	-	13,895
Issued of warrants	-	-	-	-	20,982	(20,982)	-	-
Shares issuance expenses	-	(567)	-	-	-	-	-	(567)
Shares option granted under SIS	-	-	1,518	-	-	-	-	1,518
Exercised of SIS	321	498	(232)	-	-	-	-	587
Total comprehensive loss for the year	-	-	-	(2)	-	-	(5,178)	(5,180)
As at 31 December 2015	<u>28,112</u>	<u>4,013</u>	<u>1,286</u>	<u>(2)</u>	<u>20,982</u>	<u>(20,982)</u>	<u>(18,232)</u>	<u>15,177</u>

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.

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	2016 12 months ended 31 Dec 2016	2015 12 months ended 31 Dec 2015
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(6,733)	(5,149)
Adjustments for:-		
Bad debts written off	-	1
Depreciation of investment properties	88	41
Depreciation of property, plant and equipment	837	391
Share-based payment expenses	1,248	1,518
Goodwill written off	6	414
Inventories written off	-	90
Property, plant and equipment written off	30	-
(Gain) / Loss on disposal of property, plant and equipment	(21)	11
Impairment of trade receivable	146	-
Interest expense	9	40
Interest income	(137)	(229)
Unrealised gain on foreign exchange	(40)	(85)
Operating loss before working capital changes	(4,567)	(2,957)
Changes in working capital		
Inventories	245	15
Trade receivables	218	923
Other receivables	1,146	(1,058)
Trade payables	(427)	(153)
Other payables	(259)	1,223
	923	950
Cash used in operations	(3,644)	(2,007)
Interest paid	(9)	(40)
Interest received	137	229
Tax paid	(23)	(46)
Net cash used in operating activities	(3,539)	(1,864)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	30	90
Purchase of property, plant and equipment	(737)	(1,253)
Purchase of investment properties	(2,500)	-
Research and development expenditure	(400)	-
Investment in associates company	(60)	-
Net cash outflows from acquisition of business	(6)	(1,060)
Net cash used in investing activities	(3,673)	(2,223)
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Proceeds on issuance of shares	-	13,896
Proceeds from exercise of SIS options	476	587
Shares issuance expenses	-	(567)
Net withdrawal of fixed deposits pledged	243	66
Repayment of term loan	-	(500)
Drawdown of finance lease liability	240	-
Repayment of finance lease liability	(66)	(139)
Net cash generated from financing activities	893	13,343
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	(6,319)	9,256
<b>EFFECT OF EXCHANGE TRANSLATION ON CASH AND CASH EQUIVALENTS</b>	36	41
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>	11,476	2,179
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	5,193	11,476
<b>Cash and cash equivalents comprise:</b>		
Fixed deposits placed with licensed banks	17	242
Cash and bank balances	5,176	11,476
	5,193	11,718
Less: Fixed deposits pledged	-	(242)
	5,193	11,476

**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.

**QUARTERLY REPORT**

Notes to the Quarterly Report for Financial Year Ended 31 December 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.

**QUARTERLY REPORT**

Notes to the Quarterly Report for Financial Year Ended 31 December 2016  
 (The figures have not been audited)

**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
Amendments to MFRS 107	Disclosures Initiatives	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Clarification to MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendment to MFRS 2	Classification and Measurement of Share- based Payment Transactions	1 January 2018
Amendment to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i>	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014-2016 Cycle		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 are not expected to have any significant impacts on the financial statements of the Group except as mentioned below:

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

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

**QUARTERLY REPORT**

Notes to the Quarterly Report for Financial Year Ended 31 December 2016  
(The figures have not been audited)

**A1. BASIS OF PREPARATION (CONT'D)**

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The adoption of MFRS 9 will result in a change in accounting policy. The Company is currently examining the financial impact of adopting MFRS 9.

MFRS 15 Revenue from Contracts with Customers

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

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

MFRS 16 Leases

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

**QUARTERLY REPORT**

Notes to the Quarterly Report for Financial Year Ended 31 December 2016  
(The figures have not been audited)

**A1. BASIS OF PREPARATION (CONT'D)**

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

The directors of the Group will assess the impact of the application of MFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of MFRS 16 until the Group performs a detailed review.

**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.

**A6. DEBT AND EQUITY SECURITIES**

On 14 November 2016, the Company has issued additional 2,600,000 new ordinary shares of RM0.10 each at the exercise price of RM0.183 pursuant to the Shares Issuance Scheme ("SIS").

Save for the above, 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.

**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.

**QUARTERLY REPORT**

Notes to the Quarterly Report for Financial Year Ended 31 December 2016  
(The figures have not been audited)

**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 focuses in the research, development and operation of the e-commerce websites and mobile applications. The Group is 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.

3. Management Services

Investment holding and provision of management services

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.

**QUARTERLY REPORT**

Notes to the Quarterly Report for Financial Year Ended 31 December 2016  
 (The figures have not been audited)

**A9. SEGMENTAL INFORMATION (CONT'D)**

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
ICT security business	613	379	2,493	5,803
E-commerce business	446	1,391	2,206	4,293
Management services	690	960	2,760	960
	1,749	2,730	7,459	11,056
Inter Segment - eliminations	(699)	(983)	(2,800)	(983)
Total revenue	1,050	1,747	4,659	10,073
<b>Segment Results</b>				
ICT security business	(522)	(1,124)	(698)	1,063
E-commerce business	(1,134)	(992)	(3,912)	(2,396)
Management services	(89)	21	(2,114)	(3,776)
Loss from operations	(1,745)	(2,095)	(6,724)	(5,109)
Finance costs	(3)	(3)	(9)	(40)
Loss before taxation	(1,748)	(2,098)	(6,733)	(5,149)

**A10. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT FINANCIAL QUARTER**

On 13 February 2017, the Company has issued additional 110,000 new ordinary shares of RM0.10 each at exercise price of RM0.13 pursuant to the conversion of warranty A to ordinary shares.

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.

**APPASIA BERHAD**  
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**QUARTERLY REPORT**

Notes to the Quarterly Report for Financial Year Ended 31 December 2016  
(The figures have not been audited)

**A11. CHANGES IN THE COMPOSITION OF THE GROUP**

On 3 October 2016, the Board of Directors of AppAsia Berhad wish to inform that the Company had acquired sixty thousand (60,000) ordinary shares of RM1.00 each in AppAsia Express Sdn. Bhd. at a total consideration of RM 60,000.00 only to be satisfied entirely via cash. AppAsia Berhad holds 20% of the share capital of AppAsia Express Sdn Bhd whereas the balance of 80% was held by Chen Rui.

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.

**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.

**QUARTERLY REPORT**

Notes to the Quarterly Report for Financial Year Ended 31 December 2016  
 (The figures have not been audited)

**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 2016**

The Group recorded revenue in the current quarter ended 31 December 2016 of RM 1.05 million, representing an decrease of approximately 40% as compared to the revenue of corresponding quarter of the preceding period ended 31 December 2015 of RM 1.75 million. The decrease in revenue was mainly attributable to the intense competition.

The Group recorded a loss after taxation of RM 1.75 million for the current quarter under review as compared to a loss after taxation of RM 2.13 million recorded in the corresponding quarter of the preceding period.

**B2. COMPARISON OF CURRENT QUARTER WITH THE IMMEDIATE PRECEDING QUARTER**

	<b>Current quarter 31 December 2016 RM'000</b>	<b>Preceding quarter 30 September 2016 RM'000</b>
Revenue	1,050	1,157
Gross profits	637	1,013
Gross Margin	60.67%	87.55%
Loss before taxation	(1,748)	(632)

The Group recorded revenue in the current quarter ended 31 December 2016 of RM 1.05 million, representing an decrease of 9.48% as compared to the revenue of previous quarter ended 30 September 2016 of RM 1.16 million. The decrease in revenue was attributed to the decrease in E-commerce business which represented approximately 18.17%.

The Group recorded a loss before taxation of RM 1.75 million for the current quarter under review as compared to a loss before taxation of RM 0.63 million recorded in the previous quarter ended 30 September 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.

**QUARTERLY REPORT**

Notes to the Quarterly Report for Financial Year Ended 31 December 2016  
 (The figures have not been audited)

**B4. VARIANCE ON PROFIT FORECAST AND PROFIT GUARANTEE**

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

**B5. TAXATION**

Income tax expenses comprises the followings:

	Individual 31 December 2016 RM'000	Quarter Ended 31 December 2015 RM'000	Cumulative 31 December 2016 RM'000	Quarter Ended 31 December 2015 RM'000
In respect of the current period				
Taxation				
- Current year	-	29	-	29
- Overprovision in prior year	-	-	-	-
Deferred taxation	-	-	-	-
<b>Total income tax expenses</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>29</b>

**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	3,882	-	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
<b>Total</b>	<b>13,896</b>	<b>13,896</b>	<b>-</b>	

**QUARTERLY REPORT**

Notes to the Quarterly Report for Financial Year Ended 31 December 2016  
 (The figures have not been audited)

**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:

	<b>31 December 2016 RM'000</b>
<b>Secured – short term</b>	
Finance lease payables	115
<b>Secured – long term</b>	
Finance lease payables	142
<b>Total Borrowings</b>	<u>257</u>

**B9. MATERIAL LITIGATION**

On 13 October 2016, 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.

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:

	<b>Current quarter ended 31 December 2016</b>	<b>Cumulative quarter ended 31 December 2016</b>
Net loss attributed to equity holders of the Company (RM'000)	(1,748)	(6,733)
Weighted average number of ordinary shares of RM0.10 in issue ('000)	282,535	281,478
Basic loss per share (sen)	(0.62)	(2.39)

**QUARTERLY REPORT**

Notes to the Quarterly Report for Financial Year Ended 31 December 2016  
 (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:

	<b>Current quarter ended 31 December 2016</b>	<b>Cumulative quarter ended 31 December 2016</b>
Net loss attributed to equity holders of the Company (RM'000)	(1,748)	(6,733)
Weighted average number of ordinary shares of RM0.10 in issue ('000)	335,091	281,478
Diluted loss per share (sen)	(0.52)	(2.39)

**B11. REALISED AND UNREALISED LOSSES DISCLOSURE**

Total accumulated losses may be analyzed as follows:

	<b>As at 31 December 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
Total accumulated losses of the Group		
Realised	(20,284)	(14,162)
Unrealised	-	-
	<u>(20,284)</u>	<u>(14,162)</u>
Less: Consolidation adjustments	(4,070)	(4,070)
Total accumulated losses as per condensed consolidated statement of financial position	<u>(24,354)</u>	<u>(18,232)</u>

**QUARTERLY REPORT**

Notes to the Quarterly Report for Financial Year Ended 31 December 2016  
 (The figures have not been audited)

**B12. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**

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

	<b>Current quarter ended</b>	<b>Cumulative quarter ended</b>
	<b>31 December 2016 RM'000</b>	<b>31 December 2016 RM'000</b>
Depreciation	222	925
Unrealised gain on foreign exchange	(83)	(36)
Finance costs	3	9
Interest income	(29)	(137)
Rental income	(37)	(150)
Goodwill written off	6	6
Property, plant and equipment written off	-	30
Loss/(Gain) on disposal of property, plant and equipment	1	(21)
Impairment of trade receivable	146	146

**B13. AUTHORISATION FOR ISSUE**

The interim financial statements were authorized for issue on 16 February 2017 in accordance with resolution of the board of directors.