

APPASIA BERHAD

Company No. 200401005180

(Incorporated In Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 Jun 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(The figures have not been audited)

	As At 30 Jun 2020 (Unaudited) RM'000	As At 31 Dec 2019 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	414	515
Investment properties	2,277	2,302
Right-of-use assets	92	109
Research and development expenditure	2,746	2,491
Intangible asset	218	348
	<u>5,747</u>	<u>5,765</u>
Current Assets		
Inventories	221	155
Trade receivables	18,383	13,775
Other receivables	1,170	828
Tax recoverable	309	96
Cash and bank balances	3,930	10,826
	<u>24,013</u>	<u>25,680</u>
TOTAL ASSETS	<u>29,760</u>	<u>31,445</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	27,220	26,463
Treasury Shares	(418)	(317)
Warrants reserve	19,788	20,489
Other reserve	(19,788)	(20,489)
Share issuance scheme option reserve	746	789
Accumulated losses	(485)	(399)
Total Equity	<u>27,063</u>	<u>26,536</u>
LIABILITIES		
Non-Current Liability		
Lease liabilities	12	12
Current Liabilities		
Trade payables	14	212
Other payables	2,431	4,609
Provision for taxation	223	42
Lease liabilities	17	34
	<u>2,685</u>	<u>4,897</u>
Total Liabilities	<u>2,697</u>	<u>4,909</u>
TOTAL EQUITY AND LIABILITIES	<u>29,760</u>	<u>31,445</u>
Net assets per ordinary share attributable to owners of the parent (sen)	7.82	7.76

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 2019 and the accompanying explanatory notes attached in this interim financial statements.

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Company No. 200401005180

(Incorporated In Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 Jun 2020**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter Ended	Quarter Ended	Period Ended	Period Ended
		30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
		RM'000	RM'000	RM'000	RM'000
Revenue	A8	20,259	35,393	42,446	48,036
Cost of sales		(19,136)	(34,232)	(40,152)	(45,884)
Gross profit		1,123	1,161	2,294	2,152
Other income		10	77	22	115
Administrative expenses		(1,083)	(866)	(2,360)	(1,964)
Finance costs		(1)	(1)	(1)	(3)
Profit/(Loss) before taxation		49	371	(45)	300
Taxation	B5	(30)	(103)	(41)	(193)
Net profit/(loss) for the period		19	268	(86)	107
Other comprehensive income					
Exchange translation differences for foreign operation		-	-	-	-
Total comprehensive profit/(loss) for the period		19	268	(86)	107
Profit/(Loss) for the period attributable to:					
Owners of the parent		19	268	(86)	107
Total comprehensive income/(loss) attributable to:					
Owners of the parent		19	268	(86)	107
Earnings/(Loss) Per Share (sen)					
Basic	B10	0.01	0.08	(0.03)	0.03
Diluted	B10	0.01	0.08	(0.03)	0.03

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 2019 and the accompanying explanatory notes attached in this interim financial statements.

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 Jun 2020**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(The figures have not been audited)

	Attributable to Owners of the Parent						Distributable	Total Equity	
	Non-Distributable				Share Issuance Scheme Option	Foreign Currency Translation Reserve			Accumulated Losses
	Share Capital	Treasury Shares	Warrants Reserve	Other Reserve					
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Period ended 30 June 2020									
As at 1 January 2020	26,463	(317)	20,489	(20,489)	789	-	(399)	26,536	
Exercised of shares options	153	-	-	-	(43)	-	-	110	
Conversion of warrants	604	-	(701)	701	-	-	-	604	
Shares buyback	-	(101)	-	-	-	-	-	(101)	
Total comprehensive loss for the year	-	-	-	-	-	-	(86)	(86)	
As at 30 June 2020	27,220	(418)	19,788	(19,788)	746	-	(485)	27,063	
Period ended 30 June 2019									
As at 1 January 2019	50,463	-	20,489	(20,489)	789	-	(24,137)	27,115	
Share capital reduction *	(24,000)	-	-	-	-	-	24,000	-	
Total comprehensive income for the year	-	-	-	-	-	-	107	107	
As at 30 June 2019	26,463	-	20,489	(20,489)	789	-	(30)	27,222	

* High Court of Malaya had granted an order confirming the share capital reduction of RM 24.00 million utilised to eliminate the accumulated losses of the Company and the balance will be credited to the retained earnings account of the Company which can be utilised to set off future losses and shall take effect on 11 March 2019.

(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 2019 and the accompanying explanatory notes attached in this interim financial statements.)

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 Jun 2020**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(The figures have not been audited)

	Year Ended 30 Jun 2020	Year Ended 30 Jun 2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(45)	300
Adjustments for:-		
Depreciation of investment properties	25	25
Depreciation of property, plant and equipment	113	93
Amortisation of research and development expenditure	297	214
Amortisation of intangible asset on consolidation	130	-
Amortisation of right-of-use assets	17	-
Property, plant and equipment written off	-	1
Loss on disposal of property, plant and equipment	-	8
Impairment loss of trade receivables	-	1
Interest expense	1	3
Interest income	(15)	(140)
Operating profit before working capital changes	523	505
Changes in working capital:		
Inventories	(66)	(18)
Trade receivables	(4,608)	2,405
Other receivables	(342)	(2,764)
Trade payables	(198)	(749)
Other payables	(2,178)	2,504
	(7,392)	1,378
Cash (used in)/generated from operations	(6,869)	1,883
Interest paid	(1)	(3)
Interest received	15	140
Tax paid	(73)	(231)
Tax refund	-	63
Net cash (used in)/generated from operating activities	(6,928)	1,852
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(12)	(15)
Proceeds from disposal of property, plant and equipment	-	7
Acquisition of intangible asset	-	(498)
Addition of research and development expenditure	(552)	(662)
Net cash used in investing activities	(564)	(1,168)
CASH FLOWS FOR FINANCING ACTIVITIES		
Proceeds from conversion of warrants	604	-
Proceeds from exercise of SIS options	110	-
Shares buy-back	(101)	-
Repayment of lease liabilities	(17)	(58)
Net cash used in financing activities	596	(58)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,896)	626

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 Jun 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(The figures have not been audited)

	Year Ended 30 Jun 2020	Year Ended 30 Jun 2019
	<u>RM'000</u>	<u>RM'000</u>
CASH AND CASH EQUIVALENTS		
AT THE BEGINNING OF THE FINANCIAL YEAR	<u>10,826</u>	<u>7,009</u>
CASH AND CASH EQUIVALENTS		
AT THE END OF THE FINANCIAL YEAR	<u>3,930</u>	<u>7,635</u>
Cash and cash equivalents comprises:		
Cash and bank balances	<u>3,930</u>	<u>7,635</u>
	<u>3,930</u>	<u>7,635</u>

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 2019 and the accompanying explanatory notes attached in this interim financial statements.

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

A1. BASIS OF PREPARATION

The interim financial statements is unaudited and has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standard (“MFRS”) 134 “Interim Financial Reporting” and Paragraph 9.22 of Bursa Malaysia Securities Berhad ACE Market Listing Requirements (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2019 and the accompanying explanatory notes. The explanatory notes attached to the interim financial statements provides 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 financial year ended 31 December 2019.

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2020 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2019 except as disclosed below:

As of 1 January 2020, the Group have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

MFRSs and amendments effective for annual period beginning on or after 1 January 2020:

Amendments to References to the Conceptual Framework in MFRS Standards	
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material

A2. AUDIT REPORT ON THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report on the preceding annual financial statements of the Group for the financial year ended 31 December 2019 was not subject to any qualification.

A3. SEASONALLY OR CYCLICAL FACTORS

The operation of the Group were not significantly affected by any major seasonal or cyclical factors during the current financial quarter under review and financial year-to-date.

A4. UNUSUAL ITEMS

There were no significant unusual items or events that arose, which affecting 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 year-to-date.

A6. DEBT AND EQUITY SECURITIES

In June 2020, the Company has issued additional 4,645,000 new ordinary shares of RM0.13 each pursuant to the conversion of warrants.

On 29 June 2020, the Company has issued additional 600,000 new ordinary shares at the exercise price of RM0.183 each pursuant to the Shares Issuance Scheme ("SIS").

Save for the above, there were no other 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. DIVIDEND PAID

No dividend was declared, approved or paid during the current financial quarter under review and financial year-to-date.

A8. SEGMENTAL INFORMATION

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

ICT Security Business

Provides the solutions, products and services in the information technology security sector which include managed security services, security-enhanced enterprise solutions, managed infrastructure services, IT hardware and software trading, system development, IT security consultation, penetration testing and related professional services. Also provides advanced backup and Secure Enterprise File Management solutions and advanced cloud solution and services.

E-Commerce Business

Focus in the research, development of online marketplace which caters for business-to-business (B2B) and business-to-consumer (B2C) transactions and operations of e-commerce platforms.

Digital Platform

Provision of digital platform related solutions and services including digital media, digital contents, digital advertisement, specialised industry platforms, mobile applications, big data and the like.

Management Services

Investment holding and provision of management services.

Provision of Money Lending

Engaged in financial business financing activities.

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A8. 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.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 30 Jun 2020	Quarter Ended 30 Jun 2019	Period Ended 30 Jun 2020	Period Ended 30 Jun 2019
	RM'000	RM'000	RM'000	RM'000
Revenue				
ICT security business	253	363	570	936
E-commerce business	19,464	34,149	40,464	45,499
Digital Platform	544	821	1,369	1,523
Management Services	791	839	808	913
Provision of Money Lending	65	-	170	-
Total revenue	21,117	36,172	43,381	48,871
Eliminations of Inter segment	(858)	(779)	(935)	(835)
Consolidated Total	20,259	35,393	42,446	48,036
Profit/(Loss) before tax				
<u>Segment Results</u>				
ICT security business	(270)	(166)	(311)	(90)
E-commerce business	192	(50)	406	65
Digital Platform	(87)	322	223	744
Management Services	423	295	5	(389)
Provision of Money Lending	(143)	-	(237)	-
	115	401	86	330
Eliminations	(66)	(30)	(131)	(30)
Consolidated Total	49	371	(45)	300
Interest income	4	1	15	3
Finance costs	(1)	(1)	(1)	(3)
Depreciation and amortisation	(303)	(169)	(582)	(332)
Other non-cash items ⁽¹⁾	(5)	(10)	-	(10)

(1) Other non-cash items consist of the following as presented in the respective notes to the financial statements:

	As at 30 Jun 2020	As at 30 Jun 2019
	RM'000	RM'000
Loss on disposal of property, plant and equipment	-	(8)
Impairment loss of trade receivables	-	(1)
Property, plant and equipment written off	-	(1)
	-	(10)

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A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The valuations of property, plant and equipment and investment properties have been brought forward without any amendments from the previous audited financial statements.

A10. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT FINANCIAL QUARTER

There were no material events subsequent 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

Save for the above, there were no changes in the composition of the Group during the current financial quarter under review.

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Save for the material events disclosed in Notes A10 in this quarterly report, there were no contingent liabilities and 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 were no capital commitments during the period under review.

A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions of the Group are as follows:

Transactions with companies in which a Director of the Company has substantial financial interest

	As at	As at
	30 Jun 2020	30 Jun 2019
	RM'000	RM'000
Rental of premises	<u>(104)</u>	<u>(127)</u>

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B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS FOR THE ACE MARKET

B1. PERFORMANCE REVIEW

	Current quarter ended		Cumulative quarter ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Revenue	20,259	35,393	42,446	48,036
Profit/(Loss) before interest and taxation (PBIT/LBIT)	50	372	(44)	303
Profit/(Loss) before taxation (PBT/LBT)	49	371	(45)	300
Profit/(Loss) after taxation (PAT/LAT)	19	268	(86)	107
Profit/(Loss) attributable to ordinary equity holders of the parent	19	268	(86)	107

Review of results for current quarter

For the current quarter financial period ended 30 June 2020, the Group registered a revenue of RM 20.26 million, PBIT and PBT of RM 0.05 million respectively as compared to a revenue of RM 35.39 million, PBIT and PBT of RM 0.37 million in the same quarter for the financial period ended 30 June 2019.

Commentary on revenue

The Group recorded a lower revenue for the current quarter, mainly due to a decrease in sales under E-commerce division caused by the logistics restriction in the business-to-business transactions during the Movement Control Order period as compared to the same quarter for the financial period ended 30 June 2019.

Commentary on PBIT/ PBT

The Group recorded a lower PBIT and PBT for the current quarter compared to the same quarter for the financial period ended 30 June 2019, mainly due to a decrease in revenue in the E-commerce division caused by the logistics restriction in the business-to-business transactions during the Movement Control Order period in current quarter.

Review of results for the financial period ended 30 June 2020

The Group registered a revenue of RM 42.45 million, LBIT of RM 0.04 million and LBT of RM 0.05 million for the financial period ended 30 June 2020 as compared to a revenue of RM 48.03 million, PBIT and PBT of RM 0.30 million in the financial period ended 30 June 2019.

Commentary on revenue

The Group recorded a lower revenue for the current financial period, mainly due to a decrease in sales under E-commerce division as compared to the same period for the financial period ended 30 June 2019.

Commentary on LBIT/ LBT

The Group recorded a LBIT and LBT for current period compared to the same period for the financial period ended 30 June 2019 and it was mainly due to a decrease in revenue under E-commerce division.

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B2. COMMENTS ON MATERIAL CHANGE IN PROFIT/(LOSS) BEFORE TAXATION

	Current quarter 30 Jun 2020 RM'000	Preceding quarter 31 Mar 2020 RM'000
Revenue	20,259	22,187
Profit/(Loss) from operations	50	(94)
Profit/(Loss) before taxation	49	(94)
Profit/(Loss) after taxation	19	(105)
Profit/(Loss) attributable to ordinary equity holders of the parent	19	(105)

The Group recorded a profit before taxation of RM 0.05 million for the current financial quarter under review as compared to the loss before taxation of RM 0.09 million recorded in the immediate preceding quarter ended 31 March 2020.

A lower revenue recorded in current quarter mainly due to a decrease in sales under the E-commerce segment compared to preceding quarter and profit before taxation recorded in current quarter mainly due to lower operating cost has been incurred in current quarter.

B3. PROSPECTS FOR FINANCIAL YEAR 2020

Despite the outbreak of Covid-19 pandemic and the imposition of the Movement Control Order ("MCO") which has dampened the economy in most aspects, the Group is optimistic of its business outlook for the year.

With the launch of the industry-wide electronic bank confirmation system in collaboration with Malaysian Institute of Accountants ("MIA"), the Group is confident of increasing participation of the auditors and banks which will enhance the revenue generated.

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 Quarter Ended		Cumulative Quarter Ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
In respect of the current period :-	RM'000	RM'000	RM'000	RM'000
Provision for current year taxation	30	103	41	193
Total income tax expense	30	103	41	193

B6. STATUS OF CORPORATE PROPOSALS

Save for the material events disclosed above and 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. GROUP BORROWINGS AND DEBT SECURITIES

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

	Current	Non-Current	Total
	Liabilities	Liabilities	
	RM'000	RM'000	RM'000
Secured			
Lease liabilities	17	12	29

B8. MATERIAL LITIGATION

As at the date of this report, there was no material litigation or arbitration, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

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B9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	Current quarter ended		Cumulative quarter ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
Profit/(Loss) attributed to owners of the parent for the period (RM'000)	19	268	(86)	107
Weighted average number of issued ordinary shares ('000)	340,944	345,250	341,263	345,250
Basic earnings/(loss) per share (sen)	0.01	0.08	(0.03)	0.03

(b) Diluted earnings/(loss) per share

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

	Current quarter ended		Cumulative quarter ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
Profit/(Loss) attributed to owners of the parent for the period (RM'000)	19	268	(86)	107
Weighted average number of issued ordinary shares ('000)	342,993	345,250	341,772	345,250
Diluted earnings/(loss) per share (sen)	0.01	0.08	(0.03)	0.03

B10. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Disclosure of derivative financial instruments

As at 30 June 2020, the Group does not hold any derivative financial instruments.

(b) Disclosure of gains/losses arising from fair value changes of financial liabilities

There were no gains/losses arising from fair value changes of financial liabilities reported by the Group during the financial period under review.

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B11. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Current quarter ended		Cumulative quarter ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Depreciation and amortisation	303	169	582	332
Impairment loss of trade receivables	5	1	-	1
Finance costs	1	1	1	3
Interest income	(4)	(66)	(15)	(140)
Rental income	(13)	-	(26)	(2)
Property, plant and equipment written off	-	1	-	1
Loss on disposal of property, plant and equipment	-	8	-	8

Save for items disclosed above and in the Condensed Consolidated Statement of Comprehensive Income, the other items under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

B12. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue on 21 August 2020 in accordance with resolution of the board of directors.