

Privasia Technology Berhad
Company No.825092 - U
(Incorporated In Malaysia)

Unaudited condensed consolidated
interim financial statements
for the period ended 30 June 2018

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements**Unaudited condensed consolidated statements of financial position as at 30 June 2018**

	As at 30.06.2018	As at 31.12.2017
	RM	RM
Property, plant and equipment	35,810,693	38,184,326
Investment properties	2,234,043	2,247,341
Intangible assets	40,745,715	39,441,481
Deferred tax assets	829,000	829,000
Total non-current assets	79,619,451	80,702,148
Inventories	1,764,921	1,872,966
Trade receivables	10,051,177	17,478,350
Unbilled revenue	4,169,004	5,704,719
Current tax assets	1,640,002	2,942,907
Prepaid project expenses	4,515,216	6,579,768
Other receivables, deposits and prepayments	2,563,960	2,780,987
Deposits, cash and bank balances	10,184,123	12,212,854
Total current assets	34,888,403	49,572,551
Total assets	114,507,854	130,274,699
Equity		
Share capital	55,820,002	55,820,002
Retained earnings	13,090,835	17,437,951
Equity attributable to owners of the Company	68,910,837	73,257,953
Non-controlling interests	(702,522)	(61,427)
Total equity	68,208,315	73,196,526
Liabilities		
Loans and borrowings	17,436,935	19,533,665
Deferred tax liabilities	3,039,000	3,672,000
Total non-current liabilities	20,475,935	23,205,665
Loans and borrowings	11,677,107	17,121,617
Trade payables	8,384,632	9,759,098
Other payables and accruals	5,761,865	6,991,793
Total current liabilities	25,823,604	33,872,508
Total liabilities	46,299,539	57,078,173
Total equity and liabilities	114,507,854	130,274,699
Net assets per share (RM)	0.12	0.13

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements**Unaudited condensed consolidated statements of profit or loss and other comprehensive income for the period ended 30 June 2018**

	Three Months ended 30 June		Year-to-date 30 June	
	2018	2017	2018	2017
	RM	RM	RM	RM
Continuing operations				
Revenue	12,998,885	15,346,278	24,782,590	30,770,077
Cost of Sales	(8,297,144)	(10,192,877)	(15,284,582)	(20,990,498)
Gross profit	<u>4,701,741</u>	<u>5,153,401</u>	<u>9,498,008</u>	<u>9,779,579</u>
Other income	62,557	67,153	143,018	211,094
Operating expenses	(6,516,161)	(6,386,085)	(12,524,467)	(12,527,925)
Results from operating activities	<u>(1,751,863)</u>	<u>(1,165,531)</u>	<u>(2,883,441)</u>	<u>(2,537,252)</u>
Finance costs	(388,181)	(263,976)	(802,356)	(602,259)
Loss before tax	<u>(2,140,044)</u>	<u>(1,429,507)</u>	<u>(3,685,797)</u>	<u>(3,139,511)</u>
Tax expense	(275,000)	(403,000)	(470,000)	(730,000)
Net loss for the period	<u>(2,415,044)</u>	<u>(1,832,507)</u>	<u>(4,155,797)</u>	<u>(3,869,511)</u>
Comprehensive loss for the period	<u>(2,415,044)</u>	<u>(1,832,507)</u>	<u>(4,155,797)</u>	<u>(3,869,511)</u>
(Loss) / (Profit) attributable to:				
Owners of the company	(2,065,532)	(1,913,932)	(3,702,202)	(4,049,947)
Non-controlling interests	(349,512)	81,425	(453,595)	180,436
Loss for the period	<u>(2,415,044)</u>	<u>(1,832,507)</u>	<u>(4,155,797)</u>	<u>(3,869,511)</u>
Comprehensive (loss) / income for the period				
Owners of the company	(2,065,532)	(1,913,932)	(3,702,202)	(4,049,947)
Non-controlling interests	(349,512)	81,425	(453,595)	180,436
Comprehensive (loss) / income for the period	<u>(2,415,044)</u>	<u>(1,832,507)</u>	<u>(4,155,797)</u>	<u>(3,869,511)</u>
Basic loss per ordinary shares (sen)				
From continuing operations	<u>(0.37)</u>	<u>(0.34)</u>	<u>(0.66)</u>	<u>(0.73)</u>
Diluted loss per ordinary shares (sen)				
From continuing operations	<u>(0.37)</u>	<u>(0.34)</u>	<u>(0.66)</u>	<u>(0.73)</u>

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements**Unaudited condensed consolidated statement of changes in equity for the period ended 30 June 2018**

	<-----Attributable to owners of the Company----->				
	<i>Non-distributable</i>	<i>Distributable</i>	Subtotal	Non-controlling Interests	Total equity
	Share capital	Retained earnings			
At 1 January 2017	55,820,002	24,621,611	80,441,613	(185,011)	80,256,602
Total comprehensive (loss) / income for the period	-	(4,049,947)	(4,049,947)	180,436	(3,869,511)
At 30 June 2017	55,820,002	20,571,664	76,391,666	(4,575)	76,387,091
At 31 December 2017	55,820,002	17,437,951	73,257,953	(61,427)	73,196,526
Effects of transition to MFRS	-	(644,914)	(644,914)	-	(644,914)
Restated balance at 1 January 2018	55,820,002	16,793,037	72,613,039	(61,427)	72,551,612
Total comprehensive loss for the period	-	(3,702,202)	(3,702,202)	(453,595)	(4,155,797)
Dividends paid on shares	-	-	-	(187,500)	(187,500)
At 30 June 2018	55,820,002	13,090,835	68,910,837	(702,522)	68,208,315

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements**Unaudited condensed consolidated statement of cash flows for the period ended 30 June 2018**

	Six months ended 30.06.2018	Six months ended 30.06.2017
	RM	RM
Cash flow from operating activities		
Loss before tax	(3,685,797)	(3,139,511)
<i>Adjustments for :</i>		
Amortisation of intangible assets	347,332	242,150
Depreciation of investment properties	13,298	13,298
Depreciation of property, plant and equipment	5,160,155	5,166,241
Finance income	(26,416)	(54,073)
Finance costs	802,356	602,259
Impairment of inventories	-	524
Reversal of impairment loss on trade receivables	(18,020)	-
Property, plant and equipment written off	1,070	2
Gain on disposal of property, plant and equipment	(9,201)	(693)
Unrealised loss / (gain) on foreign exchange	299,168	(23,844)
Operating profit before changes in working capital	<u>2,883,945</u>	<u>2,806,353</u>
Change in inventories	81,387	46,224
Change in trade and other receivables	10,617,579	(708,731)
Change in trade and other payables	(2,903,568)	(2,250,313)
Net cash flows generated from / (used in) operations	<u>10,679,343</u>	<u>(106,467)</u>
Tax refunded	247,701	50,550
Tax paid	(47,796)	(1,146,541)
Interest received	26,416	54,073
Net cash flows generated from / (used in) operating activities	<u>10,905,664</u>	<u>(1,148,385)</u>
Cash flows from investing activities		
Proceeds from disposal of property plant and equipment	10,693	1,108
Acquisition of intangible assets	(1,651,565)	(498,033)
Purchase of property, plant and equipment	(2,762,426)	(5,133,443)
Net cash used in investing activities	<u>(4,403,298)</u>	<u>(5,630,368)</u>
Cash flow from financing activities		
Interest paid	(802,356)	(602,259)
Decrease in pledged deposits	644,267	287,089
Dividend paid to non-controlling interest	(187,500)	-
(Decrease) / Increase of loans & borrowings	(7,546,891)	6,664,034
Net cash flows (used in) / generated from financing activities	<u>(7,892,480)</u>	<u>6,348,864</u>
Net decrease in cash and cash equivalent	(1,390,114)	(429,889)
Cash and cash equivalents at 1 January	3,246,242	2,756,175
Cash and cash equivalents at 30 June	<u>1,856,128</u>	<u>2,326,286</u>

Cash and cash equivalent

The reconciliation of cash and cash equivalent as presented in the condensed consolidated statement of cash flows to the deposits, cash and bank balances as presented in the condensed consolidated statement of financial position is as follows:

	Six months ended 30.06.2018	Six months ended 30.06.2017
Fixed deposits	4,375,939	4,661,957
Cash and bank balances	<u>5,808,184</u>	<u>2,870,052</u>
Deposits, cash and bank balances as presented in the condensed consolidated statement of financial position	10,184,123	7,532,009
Less: Pledged deposits with licensed banks	(4,128,788)	(2,715,849)
Bank overdrafts	(4,199,207)	(2,489,874)
Cash and cash equivalent as presented in the condensed consolidated statement of cash flows	<u>1,856,128</u>	<u>2,326,286</u>

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

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Notes to the unaudited condensed consolidated interim financial statements**1 Basis of preparation**

The unaudited condensed consolidated interim financial statements have been prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market and with Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting, which is in compliance with International Accounting Standard (IAS) 34, Interim Financial Reporting.

The Group had adopted the amendments/improvements to MFRS 9 - Financial Instruments and MFRS 15 - Revenue from Contracts with Customers which are effective from 1 January 2018.

The unaudited condensed consolidated interim financial statements have been reviewed by the auditors in accordance with ISRE 2410.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the latest audited financial statements of Privasia Technology Berhad ("the Company") and its subsidiaries ("Group") for the financial year ended ("FYE") 31 December 2017 and are available upon request from the Company's registered office at No. 62C, Jalan SS21/62, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.

The notes to these unaudited condensed consolidated interim financial statements 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 for the financial period ended 30 June 2018.

2 Significant accounting policies

Unless otherwise stated, the accounting policies applied by the Group in these unaudited condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 December 2017.

3 Estimates

There were no material changes in estimates of amount reported in prior financial periods which may have a material effect in the financial period under review.

4 Seasonal and cyclical factors

The results of the Group were not materially affected by any significant seasonal and cyclical factors during the financial period under review.

5 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period under review.

6 Issuances, cancellations, repurchases, resale and repayment of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities in the Company during the financial period under review.

7 Dividend

There were no dividends declared/ recommended and paid to the shareholders at the company for the financial period under review.

8 Loans and Borrowings

	Group	
	30 June 2018 RM	31 December 2017 RM
Non-current		
Secured term loans from licensed banks	13,861,008	15,054,412
Unsecured finance lease liabilities	3,575,927	4,479,253
	17,436,935	19,533,665
Current		
Secured term loans from licensed banks	2,780,356	3,134,336
Unsecured finance lease liabilities	1,840,402	1,928,114
Secured trade financing facilities	2,857,142	7,865,610
Secured bank overdrafts	4,199,207	4,193,557
	11,677,107	17,121,617
Total	29,114,042	36,655,282

9 Segmental reporting

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's current reportable segments:

- Information Technology ("IT")
Comprise IT infrastructure outsourcing, consultancy and systems integration and procurement management.
- Information and Communications Technology ("ICT")
Provision of wireless broadband infrastructure, comprehensive mobile and wireless communications consultancy, and systems development for ICT and mobile solutions providers and enterprises.
- Satellite-based network services ("SAT")
The SAT segment provides a broad spectrum of satellite-based network solutions, such as managed network, high speed internet, value-added broadband applications and satellite IP Virtual Private Network for the commercial sector and general public.
- Investment Holding
Investment holding and provision of management services.

Performance is measured based on segment results, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The analysis of the Group's operations for the financial period ended 30 June 2018 is as follows:-

	Investment Holdings RM	IT RM	ICT RM	SAT RM	ELIMINATION RM	Total RM
Total segment revenue	7,940,741	18,319,202	4,930,713	1,690,751	(8,098,817)	24,782,590
Gross profit	7,940,741	10,450,717	205,255	(1,157,965)	(7,940,740)	9,498,008
Other income	86	211,351	2,035	5,695	(76,149)	143,018
Other operating expenses	(2,160,612)	(8,769,011)	(2,154,632)	(1,457,101)	2,016,889	(12,524,467)
Results from operating activities	5,780,215	1,893,057	(1,947,342)	(2,609,371)	(6,000,000)	(2,883,441)
Finance costs						(802,356)
Tax expense						(470,000)
Net loss for the period						(4,155,797)
Segment assets	77,540,414	92,784,828	19,449,081	14,098,144	(89,364,613)	114,507,854
Segment liabilities	7,835,118	49,346,484	29,418,491	27,028,644	(67,329,198)	46,299,539

10 Material events subsequent to the end of the interim period

There were no material subsequent events up to the date of this report that will affect the financial statements of the financial period under review.

11 Change in composition of the Group

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

12 Changes in contingent liabilities or contingent assets

As at the date of this report, the Group does not have any contingent liabilities or contingent assets.

13 Capital commitments

There were no material commitments for the purchase of property, plant and equipment incurred or known to be incurred for in the current financial period under review.

14 Financial instruments

The Group's financial risk management objectives and policies and risk profile are consistent with those disclosed in the consolidated annual financial statements as at and for the year ended 31 December 2017.

Fair value information

The carrying amounts of cash and cash equivalents, trade and others receivables, trade and other payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

Fair value hierarchy

The table below analyses financial instruments not carried at fair value for which fair value is disclosed and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value		
	Level 2 RM	Total Fair Value RM	Carrying Amount RM
As at 30 June 2018			
Financial liabilities			
Unsecured finance lease liabilities	(5,241,222)	(5,241,222)	(5,416,329)
As at 31 December 2017			
Financial liabilities			
Unsecured finance lease liabilities	(6,829,530)	(6,829,530)	(6,407,367)

During the 12 months ended 31 December 2017, there were no transfers between fair value hierarchy of financial assets and financial liabilities.

Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B

15 Review of performance

For the second quarter ended 30 June 2018 (2Q18), Privasia reported decrease in revenue to RM13.0 million, from RM15.3 million in the previous corresponding quarter.

The Information Technology (IT) division recorded higher revenue of RM9.7 million, rising 18.5% from RM8.2 million in the second quarter ended 30 June 2017 (2Q17) on the back of higher billings from IT and outsourcing projects. Margins for the division improved due to better product mix during the quarter ended 2Q18.

The Information Communication Technology (ICT) segment registered lower revenue of RM2.5 million in 2Q18, compared to RM6.4 million previously, as the Group is in transition for the subsequent phase of projects in 2Q18, and due to a larger project base in the previous year. In line with revenue, the segment recorded a loss of RM1.5 million in the quarter, versus profit of RM0.5 million in 2Q17.

Revenue from satellite-based services (SAT) division came in at RM0.8 million in 2Q18, comparable to the RM0.9 million recorded in 2Q17 as the Group realigned its strategy to streamline customer portfolio and manage costs. This led the Group to report lower losses of RM1.2 million, versus a loss RM1.5 million previously.

Foreign exchange translation losses and increased finance cost led to Privasia's pre-tax losses increasing to RM2.1 million in 2Q18, versus RM1.4 million and net profit to RM2.4 million, versus RM1.9 million in the previous quarter.

Six Months Review

For the first half ended 30 June 2018 (1H18), Privasia's revenue reduced to RM24.8 million, compared to RM30.8 million in the first half ended 30 June 2017 (1H17).

Revenue for the IT division stood at RM18.3 million, increasing 10.5% from RM16.6 million in 1H17 due to higher billings from outsourcing projects. The segmental profit grew exponentially to RM1.9 million, from RM0.4 million in 1H17, as a result of better margins from favourable product mix.

The ICT division revenue declined to RM4.9 million, from RM12.2 million previously as the Group is in transition for the next phase of projects in 2Q18, and due to a larger project base in the previous year. This resulted in segmental loss of RM1.9 million, compared to profit of RM0.7 million in the same period previously.

As a result of streamlining customer portfolio, the SAT division revenue dropped to RM1.7 million, compared to RM2.0 million previously. However, with improved cost management, the segment loss narrowed to RM2.6 million, from RM3.4 million in 1H17.

The Group's loss before tax for 1H18 stood at RM3.7 million, wider than a loss before tax of RM3.1 million in the same period of the previous year, as a result of higher finance cost and the above. However, Privasia's net loss narrowed to RM3.7 million in 1H18, from net loss of RM4.0 million in 1H17 due to share of losses by non-controlling interest.

Comparison with preceding quarter

Revenue for 2Q18 rose 10.3% to RM13.0 million in 2Q18, compared to RM11.8 million in the preceding quarter, as a result of higher billings from the IT segment.

The Group posted 2Q18 pre-tax loss and net loss of RM 2.1 million respectively, versus RM1.5 million and RM1.6 million respectively compared to the previous preceding quarter. This was attributed to wider losses from the ICT division.

	Current Quarter 30 June 2018 RM	Immediate Preceding Quarter 31 March 2018 RM	Changes %
Revenue	12,998,885	11,783,705	10%
Gross profit	4,701,741	4,796,267	-2%
Loss before interest and tax	(1,751,863)	(1,131,578)	-55%
Loss before tax	(2,140,044)	(1,545,753)	-38%
Loss after tax	(2,415,044)	(1,740,753)	-39%
Loss attributable to owners of the company	(2,065,532)	(1,636,670)	-26%

16 Future prospects

The Group still expects the IT division to be the main performance driver going forward, as we increase awareness of our IP products such as ProcureHere and Port Management Solutions to target customers. These products are complemented by income generated from ongoing outsourcing projects. Our main focus would be on enhancing our clientele base for our IP solutions in a view to increase future margins.

In the ICT segment, Privasia will continue to look to work directly with telecommunication companies and key principals, as we keep expanding our clientele in this space based on our track record.

We will also continue in our efforts to increase our customer base and enhance cost management for our SAT segment in order to find its equilibrium and grow the division.

Lastly, we will maintain the delivery of our order book, with the current unbilled balance standing at RM70 million. The Group are also open to opportunities present in the technology space in an effort to diversify revenue base.

17 Variance on Profit Forecast

Not applicable as the Group has not issued any profit forecast.

18 Income tax expenses

	Current quarter ended 30 June		Cummulative quarter ended 30 June	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax				
- Current year	615,000	412,000	1,103,000	1,018,000
- Prior year	-	-	-	-
	<u>615,000</u>	<u>412,000</u>	<u>1,103,000</u>	<u>1,018,000</u>
Deferred tax				
Origination and reversal of temporary differences	(340,000)	(9,000)	(633,000)	(288,000)
	<u>275,000</u>	<u>403,000</u>	<u>470,000</u>	<u>730,000</u>

19 Unquoted investments and properties

There were no purchase or disposal of unquoted investments and properties for the current financial period under review.

20 Status of corporate proposals announced

There were no corporate proposals announced.

21 Off balance sheet financial instruments

As at the reporting date, the Group does not have any off balance sheet financial instruments.

22 Material litigation

There was no material litigation for the current financial period under review.

23 Auditor's report on preceding annual financial statements

The auditor's report on the latest audited annual financial statements for the year ended 31 December 2017 was not modified.

24 Profit for the period

	Current quarter ended 30 June		Cumulative quarter ended 30 June	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit for the period is arrived at after charging/ (crediting):				
Amortisation of intangible assets	167,953	125,484	347,332	242,150
Depreciation of investment properties	6,649	6,649	13,298	13,298
Depreciation of property, plant and equipment	2,530,160	2,585,669	5,160,155	5,166,241
Property, plant and equipment written off	-	2	1,070	2
Reversal of impairment loss on trade receivables	-	-	(18,020)	-
Unrealised loss/(gain) on foreign exchange	154,316	15,947	299,168	(23,844)
Realised (gain)/loss on foreign exchange	(25,487)	119,221	(239,441)	141,586
Gain on disposal of property, plant and equipment	(8,049)	(495)	(9,201)	(693)
Impairment of inventories	-	524	-	524
Finance costs	388,181	263,976	802,356	602,259
Finance income	(11,147)	(11,471)	(26,416)	(54,073)

The following items are not applicable for the current financial period under review:

- 1) (Gain)/loss on derivatives;
- 2) Write off of inventories.

25 (Loss)/Earnings per share

- (a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the earnings after taxation for the period by the weighted average number of ordinary shares in issue during the period.

	Current quarter ended 30 June		Cumulative quarter ended 30 June	
	2018 RM	2017 RM	2018	2017
Profit attributable to equity holders (RM)	(2,065,532)	(1,913,932)	(3,702,202)	(4,049,947)
Weighted average number of ordinary shares in issue (units)	558,200,020	558,200,020	558,200,020	558,200,020
Basic (loss)/earnings per share (sen)	<u>(0.37)</u>	<u>(0.34)</u>	<u>(0.66)</u>	<u>(0.73)</u>

- (b) Diluted (loss)/earnings per share

There are no dilutive effects to the shares during the financial period under review.

26 Authorisation for issue

The unaudited condensed consolidated interim financial statement were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 August 2018.