

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

Unaudited condensed consolidated
interim financial statements
for the period ended 31 December 2018

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements**Unaudited condensed consolidated statements of financial position as at 31 DECEMBER 2018**

	As at 31.12.2018	As at 31.12.2017
	RM	RM
Property, plant and equipment	29,486,048	38,184,326
Investment properties	2,220,745	2,247,341
Intangible assets	41,720,728	39,441,481
Deferred tax assets	829,000	829,000
Total non-current assets	74,256,521	80,702,148
Inventories	1,465,698	1,872,966
Trade receivables	11,073,386	17,478,350
Unbilled revenue	5,046,655	5,704,719
Current tax assets	743,001	2,942,907
Prepaid project expenses	5,267,357	6,579,768
Other receivables, deposits and prepayments	4,459,453	2,780,987
Deposits, cash and bank balances	8,269,996	12,212,854
Total current assets	36,325,546	49,572,551
Total assets	110,582,067	130,274,699
Equity		
Share capital	55,820,002	55,820,002
Retained earnings	12,119,966	17,437,951
Equity attributable to owners of the Company	67,939,968	73,257,953
Non-controlling interests	(1,063,964)	(61,427)
Total equity	66,876,004	73,196,526
Liabilities		
Loans and borrowings	15,038,067	19,533,665
Deferred tax liabilities	1,829,000	3,672,000
Total non-current liabilities	16,867,067	23,205,665
Loans and borrowings	13,491,224	17,121,617
Trade payables	6,174,410	9,759,098
Other payables and accruals	7,173,362	6,991,793
Total current liabilities	26,838,996	33,872,508
Total liabilities	43,706,063	57,078,173
Total equity and liabilities	110,582,067	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 31 DECEMBER 2018**

	Three Months ended 31 December		Year-to-date 31 December	
	2018	2017	2018	2017
	RM	RM	RM	RM
Continuing operations				
Revenue	14,031,178	13,414,324	52,531,640	59,931,520
Cost of Sales	(8,250,607)	(6,155,043)	(31,736,630)	(37,063,593)
Gross profit	<u>5,780,571</u>	<u>7,259,281</u>	<u>20,795,010</u>	<u>22,867,927</u>
Other income	993,552	539,983	1,242,772	790,143
Operating expenses	(5,901,134)	(8,396,388)	(24,129,073)	(27,231,658)
Results from operating activities	<u>872,989</u>	<u>(597,124)</u>	<u>(2,091,291)</u>	<u>(3,573,588)</u>
Finance costs	(259,144)	(670,776)	(1,525,007)	(1,728,721)
Profit/(Loss) before tax	<u>613,845</u>	<u>(1,267,900)</u>	<u>(3,616,298)</u>	<u>(5,302,309)</u>
Tax expense	(958,000)	(1,138,987)	(1,444,441)	(1,757,767)
Net profit/(loss) for the period	<u>(344,155)</u>	<u>(2,406,887)</u>	<u>(5,060,739)</u>	<u>(7,060,076)</u>
Comprehensive profit/(loss) for the period	<u>(344,155)</u>	<u>(2,406,887)</u>	<u>(5,060,739)</u>	<u>(7,060,076)</u>
Profit/(Loss) attributable to:				
Owners of the company	17,287	(2,350,035)	(4,245,702)	(7,183,660)
Non-controlling interests	(361,442)	(56,852)	(815,037)	123,584
Profit/(Loss) for the period	<u>(344,155)</u>	<u>(2,406,887)</u>	<u>(5,060,739)</u>	<u>(7,060,076)</u>
Comprehensive profit/(loss) for the period				
Owners of the company	17,287	(2,350,035)	(4,245,702)	(7,183,660)
Non-controlling interests	(361,442)	(56,852)	(815,037)	123,584
Comprehensive profit/(loss) for the period	<u>(344,155)</u>	<u>(2,406,887)</u>	<u>(5,060,739)</u>	<u>(7,060,076)</u>
Basic loss per ordinary shares (sen)				
From continuing operations	<u>0.00</u>	<u>(0.42)</u>	<u>(0.76)</u>	<u>(1.29)</u>
Diluted loss per ordinary shares (sen)				
From continuing operations	<u>0.00</u>	<u>(0.42)</u>	<u>(0.76)</u>	<u>(1.29)</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 31 DECEMBER 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	-	(7,183,660)	(7,183,660)	123,584	(7,060,076)
At 31 December 2017	55,820,002	17,437,951	73,257,953	(61,427)	73,196,526
At 31 December 2017	55,820,002	17,437,951	73,257,953	(61,427)	73,196,526
Effects of transition to MFRS	-	(1,067,435)	(1,067,435)	-	(1,067,435)
Restated balance at 1 January 2018	55,820,002	16,370,516	72,190,518	(61,427)	72,129,091
Total comprehensive loss for the period	-	(4,245,702)	(4,245,702)	(815,037)	(5,060,739)
Translations reserve	-	(4,848)	(4,848)	-	(4,848)
Dividends paid on shares	-	-	-	(187,500)	(187,500)
At 31 DECEMBER 2018	55,820,002	12,119,966	67,939,968	(1,063,964)	66,876,004

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 31 DECEMBER 2018**

	Twelve months ended 31.12.2018	Twelve months ended 31.12.2017
	RM	RM
Cash flow from operating activities		
Loss before tax	(3,616,298)	(5,302,309)
<i>Adjustments for :</i>		
Amortisation of intangible assets	668,164	516,099
Depreciation of investment properties	26,596	26,595
Depreciation of property, plant and equipment	10,130,824	10,459,976
Finance income	(200,773)	(150,423)
Finance costs	1,525,007	1,728,721
Impairment of other investment	-	500,000
Impairment of inventories	161,526	224,868
Reversal of impairment loss on trade receivables	(18,020)	(28,158)
Impairment loss on trade receivables	143,465	920,032
Bad debts written off	-	3,347
Property, plant and equipment written off	7,478	4
Gain on disposal of property, plant and equipment	(832,510)	(1,322)
Unrealised loss / (gain) on foreign exchange	249,659	(271,926)
Translations reserve	(4,848)	-
Operating profit before changes in working capital	<u>8,240,270</u>	<u>8,625,504</u>
Change in inventories	196,250	252,988
Change in trade and other receivables	5,504,099	4,095,198
Change in trade and other payables	(3,652,785)	(5,111,543)
Net cash flows generated from operations	<u>10,287,834</u>	<u>7,862,147</u>
Tax refunded	247,701	-
Tax paid	(1,335,236)	(2,046,352)
Interest received	200,773	150,423
Net cash flows generated from / (used in) operating activities	<u>9,401,072</u>	<u>5,966,218</u>
Cash flows from investing activities		
Proceeds from disposal of property plant and equipment	9,230	2,003
Acquisition of intangible assets	(2,947,411)	(2,164,161)
Purchase of property, plant and equipment	(567,251)	(6,865,232)
Net cash used in investing activities	<u>(3,505,432)</u>	<u>(9,027,390)</u>
Cash flow from financing activities		
Interest paid	(1,525,007)	(1,728,721)
Decrease / (Increase) in pledged deposits	502,367	(748,265)
Dividend paid to non-controlling interest	(187,500)	-
(Decrease) / Increase of loans & borrowings	(8,071,851)	7,044,336
Net cash flows (used in) / generated from financing activities	<u>(9,281,991)</u>	<u>4,567,350</u>
Net (decrease) / increase in cash and cash equivalent	(3,386,351)	1,506,178
Cash and cash equivalents at 1 January	3,246,242	1,740,064
Cash and cash equivalents at 31 December	<u>(140,109)</u>	<u>3,246,242</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:

	Twelve months ended 31.12.2018	Twelve months ended 31.12.2017
Fixed deposits	4,525,601	5,096,609
Cash and bank balances	<u>3,744,395</u>	<u>7,116,245</u>
Deposits, cash and bank balances as presented in the condensed consolidated statement of financial position	8,269,996	12,212,854
Less: Pledged deposits with licensed banks	(4,270,688)	(4,773,055)
Bank overdrafts	<u>(4,139,417)</u>	<u>(4,193,557)</u>
Cash and cash equivalent as presented in the condensed consolidated statement of cash flows	<u>(140,109)</u>	<u>3,246,242</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.

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 31 December 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	
	31 DECEMBER 2018	31 December 2017
	RM	RM
Non-current		
Secured term loans from licensed banks	15,038,067	15,054,412
Unsecured finance lease liabilities	-	4,479,253
	15,038,067	19,533,665
Current	RM	RM
Secured term loans from licensed banks	3,942,964	3,134,336
Unsecured finance lease liabilities	1,813,657	1,928,114
Secured trade financing facilities	3,595,187	7,865,610
Secured bank overdrafts	4,139,416	4,193,557
	13,491,224	17,121,617
Total	28,529,291	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 31 December 2018 is as follows:-

	Investment Holdings RM	IT RM	ICT RM	SAT RM	ELIMINATION RM	Total RM
Total segment revenue	9,808,602	37,015,061	13,266,567	3,283,417	(10,842,007)	52,531,640
Gross profit	9,808,602	21,555,002	910,702	(1,591,519)	(9,887,777)	20,795,010
Other income	86	1,371,476	3,342	20,167	(152,299)	1,242,772
Other operating expenses	(4,165,899)	(16,928,437)	(4,030,949)	(2,843,681)	3,839,893	(24,129,073)
Results from operating activities	5,642,789	5,998,041	(3,116,905)	(4,415,033)	(6,200,183)	(2,091,291)
Finance costs						(1,525,007)
Tax expense						(1,444,441)
Net loss for the period						(5,060,739)
Segment assets	75,663,513	82,417,424	18,600,230	6,316,262	(72,415,362)	110,582,067
Segment liabilities	6,095,643	36,930,373	29,944,078	21,115,916	(50,379,947)	43,706,063

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 31 DECEMBER 2018			
Financial liabilities			
Unsecured finance lease liabilities	(4,354,033)	(4,354,033)	(1,813,657)
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 2018, 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 fourth quarter ended 31 December 2018 (4Q18), Privasia's revenue increased marginally to RM14.0 million, from RM13.4 million in the previous corresponding quarter (4Q17).

The Information Technology (IT) division revenue remained the largest revenue contributor, despite decreased billings to RM9.1 million from RM9.9 million in the fourth quarter ended 31 December 2017 (4Q17). However, the better product mix lifted the segment profit to RM2.7 million, versus RM1.8 million a year ago.

The Information Communication Technology (ICT) segment revenue rose to RM4.9 million in the reported quarter, from RM3.2 million in the previous year, due to ongoing Huawei projects. This positive momentum helped the Group record a narrower loss of RM0.8 million in 4Q18, compared to RM1.2 million in 4Q17.

The satellite-based services (SAT) division reported revenue of RM0.8 million, rising from RM0.7 million in 4Q17. The Group continued the streamlining of customer portfolio and cost management programme led the segment to report lower losses at RM0.8 million, compared to RM0.9 million previously.

The lower operating costs were in line with overall streamlining exercises conducted by the Group. Other income reported at RM1.0 million, compared to RM0.5 million previously due to disposal of computer equipment during the period.

Privasia reported a pre-tax profit of RM0.6 million, turning around from the pre-tax loss of RM1.3 million in 4Q17. The Group also recorded net loss of RM0.3 million in 4Q18, versus net loss of RM2.4 million in the previous year, resulting from lower operating costs and higher other income.

15 Review of performance (continue)

For the financial year ended 31 December 2018 (FY18), Privasia's revenue reduced to RM52.5 million, compared to RM59.9 million in the financial year ended 31 December 2017 (FY17).

Revenue for the IT division increased slightly to RM37.0 million, compared to RM36.1 million in the previous year.

The ICT division revenue declined to RM13.3 million in FY18, versus RM20.4 million in the previous year, as the Group transitions for the next phase of projects after the completion of a telecommunication project in the first quarter ended 31 March 2018. This resulted in a higher segmental loss of RM3.1 million in the reported year, compared to loss of RM0.3 million in the same period in the previous year.

The SAT division recorded lower revenue at RM3.2 million, compared to RM3.7 million previously due to the Group streamlining customer portfolio. However, efforts in improving cost management narrowed the segmental loss to RM4.4 million in FY18, compared to RM5.6 million in FY17.

Overall, the Group recorded lower loss before tax at RM3.6 million, compared to loss before tax of RM5.3 million in the same period of the previous year. Privasia's net loss also narrowed to RM5.1 million, compared to RM7.1 million in FY17 due to lower operating expenses and higher other income.

Comparison with preceding quarter

Revenue for 4Q18 increased to RM14.0 million, from RM13.7 million in the preceding quarter. The higher other income led to the Group improving its profitability to post a pre-tax profit of RM0.6 million, compared to a pre-tax loss of RM0.6 million in the third quarter ended 30 September 2018. In line with post-tax loss, Privasia also posted a net loss of RM0.3 million in 4Q18, versus a net loss of RM0.6 million in the previous quarter.

	Current Quarter 31 DECEMBER 2018 RM	Immediate Preceding Quarter 30 SEPTEMBER 2018 RM	Changes %
Revenue	14,031,178	13,717,872	2%
Gross profit	5,780,571	5,516,431	5%
Profit / (Loss) before interest and tax	872,989	(80,839)	1180%
Profit / (Loss) before tax	613,845	(544,346)	213%
Loss after tax	(344,155)	(560,787)	39%
Profit / (Loss) attributable to owners of the company	17,287	(470,256)	104%

16 Future prospects

Privasia is mindful of the opportunities in the Malaysian market, particularly as private and public corporations optimise operations. We are positive that our expertise in developing innovative solution works to our advantage in achieving future growth.

The IT division is still expected to be the main income driver for the Group, as we continue to push for awareness and adoption of our Intellectual Property (IP) products, namely ProcureHere and Port Management Solutions to target customers. Additionally, we will continue to deliver on our outsourcing projects to complement our IP products. Our efforts going forward will be geared towards enhancing our clientele base for our IP solutions products to improve future margins.

For our ICT segment, we aim to leverage on our track record to work closely with telecommunications companies and key principals, as we aim to increase our clientele base. We will also continue in our efforts in growing the SAT division by looking to increase our customer base and enhance cost management.

Lastly, we will continue to deliver on our order book, with the current unbilled balance standing at RM70 million. The Group will also be on the lookout for any opportunities present in the technology space to boost future revenue.

17 Variance on Profit Forecast

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

18 Income tax expenses

	Current quarter ended 31 December		Cummulative quarter ended 31 December	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax				
- Current year	1,358,000	(437,000)	2,428,000	608,000
- Prior year	-	-	859,441	(168,220)
	<u>1,358,000</u>	<u>(437,000)</u>	<u>3,287,441</u>	<u>439,780</u>
Deferred tax				
Origination and reversal of	(400,000)	1,575,987	(1,843,000)	1,317,987
Tax expenses from continuing operations	<u>958,000</u>	<u>1,138,987</u>	<u>1,444,441</u>	<u>1,757,767</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		Cumulative quarter ended	
	31 December		31 December	
	2018	2017	2018	2017
	RM	RM	RM	RM
Profit/(Loss) for the period is arrived at after charging/ (crediting):				
Amortisation of intangible assets	162,488	147,824	668,164	516,099
Depreciation of investment properties	6,649	6,649	26,596	26,595
Depreciation of property, plant and equipment	2,492,663	2,674,508	10,130,824	10,459,976
Property, plant and equipment written off	6,402	2	7,478	4
Reversal of impairment loss on trade receivables	-	(28,158)	(18,020)	(28,158)
Impairment loss on trade receivables	143,465	920,032	143,465	920,032
Bad debts written off	-	3,347	-	3,347
Unrealised loss/(gain) on foreign exchange	(57,989)	(252,788)	249,659	(271,926)
Realised (gain)/loss on foreign exchange	84,412	-	(94,075)	141,586
Gain on disposal of property, plant and equipment	(823,276)	(530)	(832,510)	(1,322)
Impairment of other investment	-	500,000	-	500,000
Impairment of inventories	161,526	224,344	161,526	224,868
Finance costs	259,144	670,776	1,525,007	1,728,721
Finance income	(119,702)	(94,656)	(200,773)	(150,423)

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		Cumulative quarter ended	
	31 December		31 December	
	2018	2017	2018	2017
	RM	RM		
Profit/(Loss) attributable to equity holders (RM)	17,287	(2,350,035)	(4,245,702)	(7,183,660)
Weighted average number of ordinary shares in issue (units)	558,200,020	558,200,020	558,200,020	558,200,020
Basic loss per share (sen)	0.00	(0.42)	(0.76)	(1.29)

- (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 28 February 2019.