

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

Unaudited condensed consolidated
interim financial statements
for the period ended 31 March 2019

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements**Unaudited condensed consolidated statements of financial position as at 31 March 2019**

	As at 31.03.2019	As at 31.12.2018
	RM	RM
Property, plant and equipment	27,723,924	29,529,447
Investment properties	2,214,096	2,220,745
Development cost	6,007,032	6,035,499
Goodwill	35,685,230	35,685,230
Deferred tax assets	617,800	617,800
Right of use assets	412,714	-
Total non-current assets	<u>72,660,796</u>	<u>74,088,721</u>
Inventories	1,230,849	1,320,902
Trade receivables	7,755,988	11,197,779
Unbilled revenue	5,815,500	4,876,140
Current tax assets	1,516,167	1,296,223
Prepaid project expenses	5,463,533	5,267,357
Other receivables, deposits and prepayments	1,706,826	5,017,573
Deposits, cash and bank balances	9,903,573	8,269,998
Total current assets	<u>33,392,436</u>	<u>37,245,972</u>
Total assets	<u>106,053,232</u>	<u>111,334,693</u>
Equity		
Share capital	55,820,002	55,820,002
Exchange reserve	(4,795)	(4,848)
Retained earnings	10,283,102	12,410,380
Equity attributable to owners of the Company	<u>66,098,309</u>	<u>68,225,534</u>
Non-controlling interests	(1,237,287)	(1,106,873)
Total equity	<u>64,861,022</u>	<u>67,118,661</u>
Liabilities		
Loans and borrowings	13,684,776	14,598,298
Leases liabilities	281,540	-
Deferred tax liabilities	1,474,000	1,829,000
Total non-current liabilities	<u>15,440,316</u>	<u>16,427,298</u>
Loans and borrowings	12,771,554	13,925,535
Leases liabilities	136,652	-
Trade payables	6,011,286	6,973,877
Other payables and accruals	6,832,402	6,889,322
Total current liabilities	<u>25,751,894</u>	<u>27,788,734</u>
Total liabilities	<u>41,192,210</u>	<u>44,216,032</u>
Total equity and liabilities	<u>106,053,232</u>	<u>111,334,693</u>
Net assets per share (RM)	<u>0.12</u>	<u>0.12</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 2018 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 March 2019**

	Year-to-date 31 March	
	2019	2018
	RM	RM
Continuing operations		
Revenue	10,028,750	11,783,705
Cost of Sales	(6,887,334)	(6,987,438)
Gross profit	<u>3,141,416</u>	<u>4,796,267</u>
Other income	95,284	80,461
Operating expenses	(5,150,729)	(6,008,306)
Results from operating activities	<u>(1,914,029)</u>	<u>(1,131,578)</u>
Finance costs	(458,589)	(414,175)
Profit/(Loss) before tax	<u>(2,372,618)</u>	<u>(1,545,753)</u>
Tax expense	114,926	(195,000)
Net profit/(loss) for the period	<u>(2,257,692)</u>	<u>(1,740,753)</u>
Exchange differences on translation of foreign operation	-	-
Comprehensive profit/(loss) for the period	<u>(2,257,692)</u>	<u>(1,740,753)</u>
Profit/(Loss) attributable to:		
Owners of the company	(2,127,278)	(1,636,670)
Non-controlling interests	(130,414)	(104,083)
Profit/(Loss) for the period	<u>(2,257,692)</u>	<u>(1,740,753)</u>
Comprehensive profit/(loss) for the period		
Owners of the company	(2,127,278)	(1,636,670)
Non-controlling interests	(130,414)	(104,083)
Comprehensive profit/(loss) for the period	<u>(2,257,692)</u>	<u>(1,740,753)</u>
Basic loss per ordinary shares (sen)		
From continuing operations	<u>(0.38)</u>	<u>(0.29)</u>
Diluted loss per ordinary shares (sen)		
From continuing operations	<u>(0.38)</u>	<u>(0.29)</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 2018 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 March 2019

	<-----Attributable to owners of the Company----->					Total equity RM
	Non-distributable	<-----Distributable----->		Subtotal	Non-controlling Interests RM	
	Share capital	Exchange reserve	Retained earnings			
	RM	RM	RM	RM		RM
At 1 January 2018	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) / income for the period	-	-	(1,636,670)	(1,636,670)	(104,083)	(1,740,753)
Change in ownership interests in subsidiary	-	-	-	-	20	20
Dividends paid on shares	-	-	-	-	(187,500)	(187,500)
At 31 March 2018	55,820,002	-	14,733,846	70,553,848	(352,990)	70,200,858
At 1 January 2019	55,820,002	(4,848)	12,410,380	68,225,534	(1,106,873)	67,118,661
Total comprehensive loss for the period	-	53	(2,127,278)	(2,127,225)	(130,414)	(2,257,639)
At 31 March 2019	55,820,002	(4,795)	10,283,102	66,098,309	(1,237,287)	64,861,022

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 2018 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 March 2019

	Three months ended 31.03.2019	Three months ended 31.03.2018
	RM	RM
Cash flow from operating activities		
Loss before tax	(2,372,618)	(1,545,753)
<i>Adjustments for :</i>		
Amortisation of intangible assets	162,822	179,379
Depreciation of investment properties	6,649	6,649
Depreciation of property, plant and equipment	1,959,390	2,629,995
Depreciation of right of use assets	18,714	-
Finance income	(42,238)	(15,269)
Finance costs - Loan & borrowings	456,225	414,175
Finance costs - Right of use assets	2,364	-
Written off of inventories	216	-
Written down of inventories	27,222	-
Reversal of impairment loss on trade receivables	(967,171)	(18,020)
Impairment loss on trade receivables	243,157	-
Bad debts written off	537,136	-
Property, plant and equipment written off	36,872	1,070
(Gain) on disposal of property, plant and equipment	(1,538)	(1,152)
Unrealised loss / (gain) on foreign exchange	(42,820)	144,852
Operating profit before changes in working capital	<u>24,435</u>	<u>1,795,926</u>
Change in inventories	62,616	58,147
Change in trade and other receivables	5,291,911	12,199,780
Change in trade and other payables	(459,265)	(4,520,359)
Net cash flows generated from operations	<u>4,919,697</u>	<u>9,533,494</u>
Tax refunded	247,701	223,701
Tax paid	(707,718)	(224,400)
Interest received	42,238	15,269
Net cash flows generated from / (used in) operating activities	<u>4,501,918</u>	<u>9,548,064</u>
Cash flows from investing activities		
Proceeds from disposal of property plant and equipment	2,000	2,643
Acquisition of intangible assets	(134,355)	(652,403)
Purchase of property, plant and equipment	(191,199)	(1,722,028)
Net cash used in investing activities	<u>(323,554)</u>	<u>(2,371,788)</u>
Cash flow from financing activities		
Interest paid	(458,589)	(414,175)
Decrease / (Increase) in pledged deposits	(78,400)	(22,952)
Dividend paid to non-controlling interest	-	(187,500)
Increase of lease liabilities - right of use assets	(418,912)	-
(Decrease) / Increase of loans & borrowings	(1,504,749)	(5,581,779)
Net cash flows (used in) / generated from financing activities	<u>(2,460,650)</u>	<u>(6,206,406)</u>
Net (decrease) / increase in cash and cash equivalent	1,717,714	969,870
Cash and cash equivalents at 1 January	(140,108)	3,246,242
Cash and cash equivalents at 31 March	<u>1,577,606</u>	<u>4,216,112</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:

	Three months ended 31.03.2019	Three months ended 31.03.2018
Fixed deposits	6,116,591	6,055,934
Cash and bank balances	3,786,982	6,901,558
Deposits, cash and bank balances as presented in the condensed consolidated statement of financial position	9,903,573	12,957,492
Less: Pledged deposits with licensed banks	(4,349,087)	(4,796,006)
Bank overdrafts	<u>(3,976,880)</u>	<u>(3,945,374)</u>
Cash and cash equivalent as presented in the condensed consolidated statement of cash flows	<u>1,577,606</u>	<u>4,216,112</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 2018 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 16 - Leases which is effective from 1 January 2019.

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 2018 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 March 2019.

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 2018.

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 March 2019	31 December 2018
	RM	RM
Non-current		
Secured term loans from licensed banks	11,452,186	11,902,160
Unsecured finance lease liabilities	2,232,590	2,696,138
	13,684,776	14,598,298
Current	RM	RM
Secured term loans from licensed banks	3,942,964	4,401,012
Unsecured finance lease liabilities	1,789,402	1,795,378
Secured trade financing facilities	3,062,308	3,595,187
Secured bank overdrafts	3,976,880	4,133,958
	12,771,554	13,925,535
Total	26,456,330	28,523,833

9 Segmental reporting

The Group has four 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 March 2019 is as follows:-

	Investment Holdings RM	IT RM	ICT RM	SAT RM	ELIMINATION RM	Total RM
Total segment revenue	953,719	6,798,314	2,525,448	711,884	(960,615)	10,028,750
Gross profit	953,719	3,096,341	303,778	(258,706)	(953,716)	3,141,416
Other income	-	998,821	338	3,809	(907,684)	95,284
Other operating expenses	(1,076,320)	(4,387,902)	(832,801)	(713,929)	1,860,223	(5,150,729)
Results from operating activities	(122,601)	(292,740)	(528,685)	(968,826)	(1,177)	(1,914,029)
Finance costs						(458,589)
Tax expense						114,926
Net loss for the period						(2,257,692)
Segment assets	96,248,242	80,753,301	18,692,735	6,173,905	(95,814,951)	106,053,232
Segment liabilities	32,069,672	35,487,240	30,752,979	22,133,785	(79,251,466)	41,192,210

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 2018.

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 March 2019			
Financial liabilities			
Unsecured finance lease liabilities	(3,896,406)	(3,896,406)	(4,021,992)
As at 31 December 2018			
Financial liabilities			
Unsecured finance lease liabilities	(4,099,611)	(4,099,611)	(4,491,516)

During the 3 months ended 31 March 2019, 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 first quarter ended 31 March 2019 (1Q19), Privasia's revenue fell to RM10.0 million, from RM11.8 million in the quarter ended 31 March 2018 (1Q18).

The Information Technology (IT) division revenue declined to RM6.8 million from RM8.6 million in 1Q18 mainly due to renegotiation of contract terms with customers. The segment recorded a loss of RM0.3 million in 1Q19, compared to a profit of RM0.9 million previously due to lower margins from different project mix.

The Information Communication Technology (ICT) segment revenue dropped from RM3.0 million to RM2.5 million in the reported quarter. In line with revenue, the division recorded a loss of RM0.5 million in 1Q19.

The satellite-based services (SAT) division reported revenue of RM0.7 million, decreasing slightly from RM0.9 million in 1Q18. The Group's cost management efforts reduced segmental loss to RM1.0 million, compared to RM1.4 million in 1Q18.

Privasia reported in 1Q19 a pre-tax loss and net loss of RM2.4 million and RM2.3 million respectively, versus a pre-tax loss and net loss of RM1.5 million and RM1.7 million in 1Q18.

Comparison with preceding quarter

	Current Quarter 31 March 2019 RM	Immediate Preceding Quarter 31 December 2018 RM
Group Result		
Revenue	10,028,750	14,031,179
Gross profit	3,141,416	5,780,572
Profit / (Loss) before interest and tax	(1,914,029)	773,603
Profit / (Loss) before tax	(2,372,618)	514,459
Loss after tax	(2,257,692)	(101,518)
Profit / (Loss) attributable to owners of the company	(2,127,278)	212,322

Revenue for 1Q19 declined to RM10.0 million, from RM14.0 million in the quarter ended 31 December 2018 (4Q18), largely due to lower contributions from the IT and ICT segments. The Group recorded a pre-tax loss of RM2.4 million in the reported quarter, compared to pre-tax profit of RM0.5 million due to higher other income of RM1.0 million in 4Q18. In line with this, Privasia posted a net loss of RM2.1 million in 1Q19, versus a net profit of RM0.2 million.

16 Future prospects

Privasia is mindful of the challenging market conditions in line with the economic uncertainty. Nevertheless, we believe in the value of our offerings to fulfil corporations' requirements for cost- and operations-efficiency. Thus, we will leverage on our expertise and continue to persevere to meet the demands in the industry.

The IT division will remain the main revenue generator going forward, as the awareness and adoption of our Intellectual Property (IP) products, namely ProcureHere and Port Management Solutions continue to rise. We will also continue to deliver our outsourcing projects to our clients. Going forward, we will be actively looking towards enhancing our IP portfolio, particularly with next generation technology.

For our ICT segment, we will maintain our efforts in expanding our clientele base, mainly by leveraging on our track record to maintain our relationship and work closely with telecommunications companies and key principals.

We will continue to deliver on our order book, with the current unbilled balance standing at RM65 million. The Group will also be keeping a keen eye for any opportunities in the technology space to boost future performance.

17 Variance on Profit Forecast

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

18 Income tax expenses

	Cumulative quarter ended 31 March	
	2019 RM	2018 RM
Current tax		
- Current year	240,000	488,000
- Prior year	74	-
	<hr/>	<hr/>
	240,074	488,000
Deferred tax		
Origination and reversal of	(355,000)	(293,000)
	<hr/>	<hr/>
Tax expenses from continuing operations	<u>(114,926)</u>	<u>195,000</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 2018 was not modified.

24 Profit for the period

	Cumulative quarter ended 31 March	
	2019 RM	2018 RM
Profit/(Loss) for the period is arrived at after charging/ (crediting):		
Amortisation of intangible assets	162,822	179,379
Depreciation of investment properties	6,649	6,649
Depreciation of property, plant and equipment	1,959,390	2,629,995
Depreciation of right of use assets	18,714	-
Property, plant and equipment written off	36,872	1,070
Reversal of impairment loss on trade receivables	(967,171)	(18,020)
Impairment loss on trade receivables	243,157	-
Bad debts written off	537,136	-
Unrealised (gain) / loss on foreign exchange	(42,820)	144,852
Realised loss / (gain) on foreign exchange	29,011	(213,954)
(Gain) on disposal of property, plant and equipment	(1,538)	(1,152)
Written off of inventories	216	-
Written down of inventories	27,222	-
Finance costs - Loan & borrowings	456,225	414,175
Finance costs - Right of use assets	2,364	-
Finance income	<u>(42,238)</u>	<u>(15,269)</u>

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.

	Cumulative quarter ended	
	31 March	
	2019	2018
Profit/(Loss) attributable to equity holders (RM)	(2,127,278)	(1,636,670)
Weighted average number of ordinary shares in issue (units)	558,200,020	558,200,020
Basic loss per share (sen)	<u>(0.38)</u>	<u>(0.29)</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 30 May 2019.