

Privasia Technology Berhad

200801023769 (825092-U)

(Incorporated In Malaysia)

**Unaudited Condensed Consolidated
Interim Financial Statements
for the 1st Quarter Ended 31 March 2020**

PRIVASIA TECHNOLOGY BHD 200801023769 (825092-U)

(Incorporated In Malaysia)

Unaudited Condensed Consolidated Interim Financial Statements

Unaudited Condensed Consolidated Statements of Financial Position as at 31 March 2020

	<u>Note</u>	As At 31 March 2020	As At 31 December 2019
		RM	RM
ASSETS			
Non-Current Assets			
Property, plant and equipment		24,753,437	26,360,712
Investment property		2,187,500	2,194,149
Goodwill		35,216,234	35,216,234
Other intangible assets		7,225,338	7,207,757
Deferred tax assets		300,000	300,000
Total non-current assets		<u>69,682,509</u>	<u>71,278,852</u>
Current Assets			
Inventories		734,287	1,076,737
Trade receivables		5,486,438	8,502,828
Unbilled revenue		4,688,124	4,773,888
Other receivables, deposits and prepayments		3,588,784	3,396,036
Current tax assets		172,590	172,188
Deposits, cash and bank balances		8,608,700	6,837,233
Total current assets		<u>23,278,923</u>	<u>24,758,910</u>
TOTAL ASSETS		<u>92,961,432</u>	<u>96,037,762</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		55,820,002	55,820,002
Exchange reserve		(1,359)	(8,221)
Retained earnings		5,858,483	6,605,060
		<u>61,677,126</u>	<u>62,416,841</u>
Non-controlling interests		(538,714)	(503,262)
TOTAL EQUITY		<u>61,138,412</u>	<u>61,913,579</u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	8	9,927,945	10,975,658
Deferred tax liabilities		1,156,840	1,042,220
Total non-current liabilities		<u>11,084,785</u>	<u>12,017,878</u>
Current liabilities			
Loans and borrowings	8	9,806,270	10,593,995
Trade payables		5,776,061	5,939,866
Other payables and accruals		5,059,357	5,418,703
Current tax Liabilities		96,547	153,741
Total current liabilities		<u>20,738,235</u>	<u>22,106,305</u>
TOTAL LIABILITIES		<u>31,823,020</u>	<u>34,124,183</u>
TOTAL EQUITY AND LIABILITIES		<u>92,961,432</u>	<u>96,037,762</u>
Net assets per share (RM)		<u>0.11</u>	<u>0.11</u>

The unaudited condensed consolidated 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 notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD 200801023769 (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 financial period ended 31 March 2020**

	<u>Note</u>	Three months ended 31 March 2020	Three months ended 31 March 2019 Restated
		RM	RM
Revenue		9,509,911	10,028,750
Cost of sales		(6,548,815)	(8,515,834)
Gross profit		<u>2,961,096</u>	<u>1,512,916</u>
Other income		135,346	95,284
Other expenses		(3,327,718)	(3,522,229)
Results from operations		<u>(231,276)</u>	<u>(1,914,029)</u>
Finance costs		(259,979)	(458,589)
Loss before taxation	24	<u>(491,255)</u>	<u>(2,372,618)</u>
Income tax expense	18	(290,774)	114,926
Net loss for the period		<u>(782,029)</u>	<u>(2,257,692)</u>
Exchange differences on translation of foreign operation		6,862	53
Total Comprehensive loss for the period	9	<u>(775,167)</u>	<u>(2,257,639)</u>
Loss attributable to:			
Owners of the company		(746,577)	(2,127,278)
Non-controlling interests		(35,452)	(130,414)
Net loss for the period		<u>(782,029)</u>	<u>(2,257,692)</u>
Total comprehensive loss for the period			
Owners of the company		(739,715)	(2,127,225)
Non-controlling interests		(35,452)	(130,414)
Total comprehensive loss for the period		<u>(775,167)</u>	<u>(2,257,639)</u>
Loss per share attributable to owners of the Company (sen)			
- Basic and diluted	25	<u>(0.13)</u>	<u>(0.38)</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 2019 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD 200801023769 (825092-U)

(Incorporated In Malaysia)

Unaudited Condensed Consolidated Interim Financial Statements**Unaudited condensed consolidated statement of changes in equity for the financial period ended 31 March 2020**

	<-----Attributable to owners of the Company----->					Total equity
	Non-distributable	<-----Distributable----->				
	Share capital	Exchange reserve	Retained earnings	Sub Total	Non-controlling Interests	
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	<u>55,820,002</u>	<u>(4,795)</u>	<u>10,283,102</u>	<u>66,098,309</u>	<u>(1,237,287)</u>	<u>64,861,022</u>
At 1 January 2020	55,820,002	(8,221)	6,605,060	62,416,841	(503,262)	61,913,579
Total comprehensive loss for the period	-	6,862	(746,577)	(739,715)	(35,452)	(775,167)
At 31 March 2020	<u>55,820,002</u>	<u>(1,359)</u>	<u>5,858,483</u>	<u>61,677,126</u>	<u>(538,714)</u>	<u>61,138,412</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 2019 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD 200801023769 (825092-U)

(Incorporated In Malaysia)

Unaudited Condensed Consolidated Interim Financial Statements**Unaudited condensed consolidated statement of cash flows for the financial period ended 31 March 2020**

	Three months ended 31 March 2020 RM	Three months ended 31 March 2019 RM
Cash flow from operating activities		
Loss before tax	(491,255)	(2,372,618)
<i>Adjustments for:</i>		
Amortisation of intangible assets	161,749	162,822
Depreciation of investment property	6,649	6,649
Depreciation of property, plant and equipment	1,844,580	1,978,104
Finance income	(81,890)	(42,238)
Finance costs	259,979	458,589
Written off of inventories	863	216
Written down of inventories	-	27,222
Reversal of impairment loss on trade receivables	(38,624)	(967,171)
Impairment loss on trade receivables	-	243,157
Bad debts written off	-	537,136
Property, plant and equipment written off	534	36,872
Gain on disposal of property, plant and equipment	(1,297)	(1,538)
Unrealised loss/(gain) on foreign exchange	50,476	(42,820)
Operating profit before working capital changes	<u>1,711,764</u>	<u>24,382</u>
Change in inventories	342,209	62,616
Change in trade and other receivables	2,947,160	5,291,911
Change in trade and other payables	(608,553)	(459,265)
Net cash generated from operations	<u>4,392,580</u>	<u>4,919,644</u>
Tax refunded	-	247,701
Tax paid	(233,748)	(707,718)
Interest paid	(259,979)	(458,589)
Interest received	81,890	42,238
Net cash from operating activities	<u>3,980,743</u>	<u>4,043,276</u>
Cash flows from investing activities		
Proceeds from disposal of property plant and equipment	1,300	2,000
Acquisition of intangible assets	(179,330)	(134,355)
Purchase of property, plant and equipment	(209,709)	(191,199)
Net cash used in investing activities	<u>(387,739)</u>	<u>(323,554)</u>
Cash flow from financing activities		
Placement of deposits	(35,879)	(78,400)
Net repayment of loans & borrowings	(1,789,531)	(1,923,661)
Net cash used in financing activities	<u>(1,825,410)</u>	<u>(2,002,061)</u>
Net increase in cash and cash equivalent	1,767,594	1,717,661
Cash and cash equivalents at the beginning of the period	(2,068,823)	(140,108)
Exchange rate adjustment	6,862	53
Cash and cash equivalents at the end of the period	<u>(294,367)</u>	<u>1,577,606</u>

	Three months ended 31 March 2020 RM	Three months ended 31 March 2019 RM
Cash and cash equivalents at the end of the financial period comprised the following:		
Fixed deposits	5,656,675	6,116,591
Cash and bank balances	<u>2,952,025</u>	<u>3,786,982</u>
	8,608,700	9,903,573
Less: Pledged deposits with licensed banks	(5,389,483)	(4,349,087)
Bank overdrafts	<u>(3,513,584)</u>	<u>(3,976,880)</u>
Cash and cash equivalent as presented in the condensed consolidated statement of cash flows	<u>(294,367)</u>	<u>1,577,606</u>

The unaudited condensed consolidated 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 notes to the unaudited condensed consolidated interim financial statements.

A. 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 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 2019 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 2020.

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 2019.

3 Estimates

There were no material changes in estimates of amount reported in prior financial periods which 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 by the Company during the financial period under review.

8 Loans and borrowings

	Group	
	31 March 2020 RM	31 December 2019 RM
Non-current		
Term loans	9,297,990	9,844,425
Lease liabilities	629,955	1,131,233
	9,927,945	10,975,658
Current	RM	RM
Term loans	4,174,434	4,150,081
Lease liabilities	2,024,751	2,005,461
Bankers' acceptances	93,500	887,942
Bank overdrafts	3,513,585	3,550,511
	9,806,270	10,593,995
Total	19,734,215	21,569,653

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:

(i) Information Technology ("IT")

IT infrastructure outsourcing, consultancy and systems integration and procurement management.

(ii) 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.

(iii) Satellite-based network services ("SAT")

Provision of 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.

(iv) 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 2020 is as follows:-

	Investment Holdings RM	IT RM	ICT RM	SAT RM	Elimination RM	Total RM
Total segment revenue	930,837	7,784,914	1,626,387	739,543	(1,571,770)	9,509,911
Gross profit	930,837	3,074,975	36,324	(150,203)	(930,837)	2,961,096
Other income	-	980,982	14,365	33,065	(893,066)	135,346
Other expenses	(1,006,301)	(3,195,009)	(489,720)	(458,822)	1,822,134	(3,327,718)
Results from operations	(75,464)	860,948	(439,031)	(575,960)	(1,769)	(231,276)
Finance costs						(259,979)
Income tax expense						(290,774)
Net loss for the period						(782,029)
Segment assets	76,105,896	82,018,644	16,481,328	4,495,404	(86,139,840)	92,961,432
Segment liabilities	34,330,918	32,672,605	16,414,288	6,091,785	(57,686,577)	31,823,020

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

There were no material contingent liabilities or contingent assets as at the date of this report.

13 Capital commitments

There were no material capital commitments for the purchase of property, plant and equipment incurred or known to be incurred for the 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 2019.

Fair value information

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

There have been no transfers between Level 1 and Level 2 during the financial period under review.

B. ADDITIONAL INFORMATION REQUIRED PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

15 Review of performance

First Quarter Review

The Group's revenue dropped slightly to RM9.5 million from RM10.0 million in the current financial quarter (1Q20) compared to the corresponding quarter of the preceding financial year (1Q19).

The Information Technology (IT) division's revenue increased from RM6.8 million to RM7.8 million compared to 1Q19. Operating profit improved from loss of RM0.3 million to profit of RM0.9 million mainly due to lower other expenses in 1Q20.

The Information Communication Technology (ICT) division's revenue declined to RM1.6 million from RM2.5 million during the period under review. The new business scope of inbuilding coverage (IBC) and fiber (OSP) works have been slow to build up. 1Q19 revenue was mainly from Radio Frequency Planning and Optimization of which we had discontinued in 2Q19 due to high risk and low margin. The division's operating loss reduced slightly to RM0.4 million compared to RM0.5 million in 1Q19.

The revenue of satellite-based services (SAT) division remained at RM0.7 million compared to 1Q19. This division reported a lower operating loss of RM0.6 million in 1Q20 compared to RM1.0 million in 1Q19 as a result of cost saving measures.

Privasia reported a pre-tax loss and net loss of RM0.5 million and RM0.8 million respectively, compared to a pre-tax loss and net loss of RM2.4 million and RM2.3 million in 1Q19.

Comparison with Immediate preceding quarter

	Current Quarter 31 March 2020 RM	Immediate Preceding Quarter 31 December 2019 RM
Group Result		
Revenue	9,509,911	10,821,621
Gross profit	2,961,096	4,244,503
(Loss)/ Profit before interest and taxation	(231,276)	544,680
(Loss)/ Profit before taxation	(491,255)	480,341
Loss after taxation	(782,029)	(302,892)
Loss attributable to owners of the company	(746,577)	(102,294)

The Group revenue for the current quarter declined to RM9.5 million from RM10.8 million compared to the immediate preceding quarter, mainly due to lower revenue from IT and ICT divisions. Lower revenue has resulted in a higher loss before tax of RM0.5 million in the reported quarter compared to the immediate preceding quarter.

16 Future prospects

Privasia is mindful of the challenging market conditions in line with the economic uncertainty resulting from unprecedented outbreak of Covid-19 since beginning of Year 2020. Some of our projects, planned work schedules have been impacted during Movement Control Order ("MCO") period. The COVID-19 outbreak has had an impact on how we operate.

The pandemic has also offered new business opportunities for companies such as ours as the need and demand grows for adoption and digitisation of business services.

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 Procurehere our eProcurement product have been getting interests which have been translating to new customers. We believe this product will contribute more to our revenue as we keep introducing enhanced value add features like: spend analytics, contract management and vendor management in Q2 2020.

We have spent the better part of this year focused on the redevelopment of our Port Management Solution (iTap), to include a cloud based version with more automation and data analysis features. As a result, we have managed to secure new contracts from existing clients to enhance their iTap experience including in areas of gate automation and paperless document processing. The new, enhanced solution, also allows us to target additional ports of different sizes with the better 'feature and price flexibility' in the offering.

For our ICT division, we have expanded our service scope besides In-building Coverage (IBC) and Outside Plant (OSP) to the last mile enterprise services (on-net services). We have also added in a new major client into our portfolio.

Despite various challenges, we will continue to deliver on our order book, with the current balance standing approximately at RM55 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 expense

	Cumulative quarter ended 31 March	
	2020 RM	2019 RM
Current tax		
- Current year	176,154	240,000
- Prior year	-	74
	<hr/>	<hr/>
	176,154	240,074
Deferred tax		
Origination and reversal of temporary differences	114,620	(355,000)
	<hr/>	<hr/>
	290,774	(114,926)

19 Unquoted investments and properties

There were no purchase or disposal of unquoted investments and properties during the 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

On 30 September 2019, Privasat Sdn Bhd ("Privasat"), a wholly owned subsidiary of the Company had received a notification of contribution to Universal Service Fund, of total amount RM668,186.64 ("The Said Amount"), payable to Malaysian Communications Multimedia Commission (MCMC) for year 2017 and 2018 based on return of net revenues derived from designated services for the calendar year 2016 and 2017 respectively. The Said Amount has been accounted for in the financial statements. During the year, Privasat had submitted payment plan to MCMC but was rejected with a counter proposal from MCMC. Privasat had then further sought discussion with MCMC with revised payment plans, however there was no response from MCMC.

Subsequent to the previous financial year end, Privasat received Demand Letter from MCMC via its solicitors.

Subsequent to the Demand Letter, Privasat via its lawyer responded to the Demand Letter with a settlement proposal. Unfortunately, Privasat did not receive a response from MCMC. Thereafter, MCMC proceeded to file Writs Summons against Privasat. A potential liability of approximately RM75,000 is estimated which is made up of 5% interest per annum and legal cost arising from the Writ and Statement of Claim.

The suit that fixed for case management by way of e-review scheduled on 17 March 2020 has been deferred to 22 April 2020. It was further deferred to 12 May 2020 for case management.

On 12 May 2020, the court has instructed both parties to file the relevant cause papers and to mediate the matters for settlement before the next date of case management on 21 July 2020.

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 2019 was not qualified.

24 Loss before taxation

	Cumulative quarter ended 31 March	
	2020 RM	2019 RM
Loss for the period is arrived at after charging/ (crediting):		
Amortisation of intangible assets	161,749	162,822
Depreciation of investment properties	6,649	6,649
Depreciation of property, plant and equipment	1,844,580	1,978,104
Property, plant and equipment written off	534	36,872
Reversal of impairment loss on trade receivables	(38,624)	(967,171)
Impairment loss on trade receivables	-	243,157
Bad debts written off	-	537,136
Unrealised loss/(gain) on foreign exchange	50,476	(42,820)
Realised loss on foreign exchange	3,525	29,011
Gain on disposal of property, plant and equipment	(1,297)	(1,538)
Written off of inventories	863	216
Written down of inventories	-	27,222
Finance costs	259,979	458,589
Finance income	(81,890)	(42,238)
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25 Loss per share

(a) Basic loss per share

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

	Cumulative quarter ended 31 March	
	2020	2019
Loss attributable to equity holders (RM)	(746,577)	(2,127,278)
Weighted average number of ordinary shares in issue (units)	558,200,020	558,200,020
Basic loss per share (sen)	<u>(0.13)</u>	<u>(0.38)</u>

(b) Diluted loss 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 29 June 2020.