

Privasia Technology Berhad

200801023769 (825092-U)

(Incorporated In Malaysia)

**Unaudited Condensed Consolidated
Interim Financial Statements
for the 2nd Quarter Ended 30 June 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 30 June 2020**

	<u>Note</u>	As At 30 June 2020	As At 31 December 2019
		RM	RM
ASSETS			
Non-Current Assets			
Property, plant and equipment		22,967,421	26,360,712
Investment property		2,180,851	2,194,149
Goodwill		35,216,234	35,216,234
Other intangible assets		7,366,298	7,207,757
Deferred tax assets		300,000	300,000
Total non-current assets		68,030,804	71,278,852
Current Assets			
Inventories		718,186	1,076,737
Trade receivables		5,104,331	8,502,828
Unbilled revenue		4,149,210	4,773,888
Other receivables, deposits and prepayments		4,074,000	3,396,036
Current tax assets		172,188	172,188
Deposits, cash and bank balances		9,706,828	6,837,233
Total current assets		23,924,743	24,758,910
TOTAL ASSETS		91,955,547	96,037,762
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		55,820,002	55,820,002
Exchange reserve		(14,541)	(8,221)
Retained earnings		4,723,321	6,605,060
		60,528,782	62,416,841
Non-controlling interests		(553,657)	(503,262)
TOTAL EQUITY		59,975,125	61,913,579
LIABILITIES			
Non-current liabilities			
Loans and borrowings	8	9,185,133	10,975,658
Deferred tax liabilities		956,201	1,042,220
Total non-current liabilities		10,141,334	12,017,878
Current liabilities			
Loans and borrowings	8	10,108,227	10,593,995
Trade payables		5,402,300	5,939,866
Other payables and accruals		5,774,788	5,418,703
Current tax Liabilities		553,773	153,741
Total current liabilities		21,839,088	22,106,305
TOTAL LIABILITIES		31,980,422	34,124,183
TOTAL EQUITY AND LIABILITIES		91,955,547	96,037,762
Net assets per share (RM)		0.11	0.11

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 30 June 2020

	<i>Note</i>	INDIVIDUAL QUARTER			
		Current Year	Preceding Year	Year-to-date	Year-to-date
		Three months ended	Three months ended	30 June 2020	30 June 2019
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
		RM	RM	RM	RM
			<i>Restated</i>		<i>Restated</i>
Revenue		10,128,144	8,810,315	19,638,055	18,839,065
Cost of sales		(7,316,297)	(6,233,604)	(13,865,112)	(14,749,438)
Gross profit		<u>2,811,847</u>	<u>2,576,711</u>	<u>5,772,943</u>	<u>4,089,627</u>
Other income		76,375	153,869	211,721	249,153
Other expenses		(3,439,308)	(4,192,303)	(6,767,026)	(7,714,532)
Results from operations		<u>(551,086)</u>	<u>(1,461,723)</u>	<u>(782,362)</u>	<u>(3,375,752)</u>
Finance costs		(239,184)	(464,501)	(499,163)	(923,090)
Loss before taxation	24	<u>(790,270)</u>	<u>(1,926,224)</u>	<u>(1,281,525)</u>	<u>(4,298,842)</u>
Income tax expense	18	(359,835)	113,000	(650,609)	227,926
Net loss for the period		<u>(1,150,105)</u>	<u>(1,813,224)</u>	<u>(1,932,134)</u>	<u>(4,070,916)</u>
Exchange differences on translation of foreign operation		(13,182)	(720)	(6,320)	(667)
Total Comprehensive loss for the period	9	<u>(1,163,287)</u>	<u>(1,813,944)</u>	<u>(1,938,454)</u>	<u>(4,071,583)</u>
Loss attributable to:					
Owners of the company		(1,135,162)	(1,620,906)	(1,881,739)	(3,748,184)
Non-controlling interests		(14,943)	(192,318)	(50,395)	(322,732)
Net loss for the period		<u>(1,150,105)</u>	<u>(1,813,224)</u>	<u>(1,932,134)</u>	<u>(4,070,916)</u>
Total comprehensive loss for the period					
Owners of the company		(1,148,344)	(1,621,626)	(1,888,059)	(3,748,851)
Non-controlling interests		(14,943)	(192,318)	(50,395)	(322,732)
Total comprehensive loss for the period		<u>(1,163,287)</u>	<u>(1,813,944)</u>	<u>(1,938,454)</u>	<u>(4,071,583)</u>
Loss per share attributable to owners of the Company (sen)					
- Basic and diluted	25	<u>(0.20)</u>	<u>(0.29)</u>	<u>(0.34)</u>	<u>(0.67)</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 30 June 2020**

	<-----Attributable to owners of the Company----->					
	Non-distributable			<-----Distributable----->		
	Share capital	Exchange reserve	Retained earnings	Sub Total	Non-controlling Interests	Total equity
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	-	(667)	(3,748,184)	(3,748,851)	(322,732)	(4,071,583)
Change in ownership interests in a subsidiary	-	-	(232,611)	(232,611)	232,611	-
At 30 June 2019	<u>55,820,002</u>	<u>(5,515)</u>	<u>8,429,585</u>	<u>64,244,072</u>	<u>(1,196,994)</u>	<u>63,047,078</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	-	(6,320)	(1,881,739)	(1,888,059)	(50,395)	(1,938,454)
At 30 June 2020	<u>55,820,002</u>	<u>(14,541)</u>	<u>4,723,321</u>	<u>60,528,782</u>	<u>(553,657)</u>	<u>59,975,125</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 30 June 2020**

	Six months ended 30 June 2020 RM	Six months ended 30 June 2019 RM
Cash flow from operating activities		
Loss before tax	(1,281,525)	(4,298,842)
<i>Adjustments for:</i>		
Amortisation of intangible assets	316,742	326,016
Depreciation of investment property	13,298	13,298
Depreciation of property, plant and equipment	3,645,798	3,879,056
Finance income	(102,241)	(79,954)
Finance costs	499,163	923,090
Written off of inventories	863	216
Written down of inventories	-	48,409
Reversal of inventories written down	(1,350)	-
Reversal of impairment loss on trade receivables	(477,298)	(1,081,105)
Impairment loss on trade receivables	54,023	528,748
Bad debts written off	376,043	537,136
Property, plant and equipment written off	33,500	71,697
Gain on disposal of property, plant and equipment	(1,401)	(49,830)
Unrealised loss/(gain) on foreign exchange	42,580	(31,676)
Operating profit before working capital changes	3,118,195	786,259
Change in inventories	358,310	183,499
Change in trade and other receivables	3,822,509	6,363,491
Change in trade and other payables	(599,661)	(1,165,819)
Net cash generated from operations	6,699,353	6,167,430
Tax refunded	-	184,828
Tax paid	(336,596)	(1,202,744)
Interest paid	(499,163)	(923,090)
Interest received	102,241	79,954
Net cash from operating activities	5,965,835	4,306,378
Cash flows from investing activities		
Proceeds from disposal of property plant and equipment	1,806	643,273
Acquisition of intangible assets	(475,283)	(526,847)
Purchase of property, plant and equipment	(286,440)	(1,709,897)
Net cash used in investing activities	(759,917)	(1,593,471)
Cash flow from financing activities		
Placement of deposits	(64,682)	(107,454)
Net repayment of loans & borrowings	(2,156,134)	(5,095,608)
Net cash used in financing activities	(2,220,816)	(5,203,062)
Net increase/(decrease) in cash and cash equivalent	2,985,102	(2,490,155)
Cash and cash equivalents at the beginning of the period	(2,068,823)	(140,108)
Exchange rate adjustment	(13,182)	(667)
Cash and cash equivalents at the end of the period	903,097	(2,630,930)

	Six months ended 30 June 2020 RM	Six months ended 30 June 2019 RM
Cash and cash equivalents at the end of the financial period comprised the following:		
Fixed deposits	5,691,717	4,637,201
Cash and bank balances	4,015,111	1,529,101
	<u>9,706,828</u>	<u>6,166,302</u>
Less: Pledged deposits with licensed banks	(5,423,157)	(4,378,142)
Bank overdrafts	<u>(3,380,574)</u>	<u>(4,419,090)</u>
Cash and cash equivalent as presented in the condensed consolidated statement of cash flows	<u><u>903,097</u></u>	<u><u>(2,630,930)</u></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 30 June 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	
	30 June 2020	31 December 2019
	RM	RM
Non-current		
Term loans	9,048,459	9,844,425
Lease liabilities	136,674	1,131,233
	9,185,133	10,975,658
Current	RM	RM
Term loans	4,192,920	4,150,081
Lease liabilities	2,003,897	2,005,461
Bankers' acceptances	530,836	887,942
Bank overdrafts	3,380,574	3,550,511
	10,108,227	10,593,995
Total	19,293,360	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 30 June 2020 is as follows:-

	Investment Holdings RM	IT RM	ICT RM	SAT RM	Elimination RM	Total RM
Total segment revenue	1,821,550	17,191,052	2,866,185	1,356,285	(3,597,017)	19,638,055
Gross profit	1,821,550	6,456,637	106,220	(674,914)	(1,936,550)	5,772,943
Other income	-	1,943,344	39,372	13,043	(1,784,038)	211,721
Other expenses	(2,070,567)	(6,552,842)	(958,995)	(906,440)	3,721,818	(6,767,026)
Results from operations	(249,017)	1,847,139	(813,403)	(1,568,311)	1,230	(782,362)
Finance costs						(499,163)
Income tax expense						(650,609)
Net loss for the period						(1,932,134)
Segment assets	77,259,914	83,974,114	15,810,672	4,060,273	(89,149,426)	91,955,547
Segment liabilities	35,658,489	34,204,335	16,165,247	6,660,027	(60,707,676)	31,980,422

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

Second Quarter Review

The Group recorded an increase of 15% revenue to RM10.1 million for the current financial quarter ended 30 June 2020 (2Q20), as compared to RM8.8 million in the previous corresponding quarter (2Q19).

The Information Technology (IT) division's revenue increased from RM6.6 million to RM9.4 million compared to 2Q19. Higher revenue has resulted in improved operating profit to RM1 million compared to RM0.8 million in 2Q19.

The revenue of Information Communication Technology (ICT) division declined to RM1.2 million from RM1.6 million during the period under review as sites access for in-building coverage (IBC) and outside plant (OSP) jobs were not allowed during MCO period. In 2Q19, revenue was mainly from Radio Frequency Planning and Optimization which we had discontinued at the end of 2019 due to high risk and low margin. As a result, the division's operating loss reduced to RM0.4 million in 2Q20 compared to RM1.0 million in 2Q19.

The revenue of satellite-based services (SAT) division remained at RM0.6 million as compared to 2Q19. This division reported a lower operating loss of RM1.0 million in 2Q20 compared to RM1.1 million in 2Q19 due mainly to consistent cost saving initiative.

Privasia reported a pre-tax loss and net loss of RM0.8 million and RM1.2 million respectively, compared to a pre-tax loss and net loss of RM1.9 million and RM1.8 million in 2Q19.

Six Months Review

For the first half ended 30 June 2020 (1H20), Privasia recorded an increase of revenue to RM19.6 million, as compared to RM18.8 million in the first half ended 30 June 2019 (1H19).

Revenue for the IT division stood at RM17.2 million, compared to RM13.4 million in 1H19. Higher revenue and better margin had resulted in improved operating profit from RM0.5 million in 1H19 to RM1.8 million in 1H20.

The revenue of ICT division in 1H20 declined to RM2.9 million from RM4.1 million mainly due to discontinuation of high risk and low margin Radio Frequency Planning and Optimisation jobs.

The SAT division revenue increased slightly from RM1.3 million to RM1.4 million compared to 2Q19. As a result of cost saving measures, the operating loss narrowed to RM 1.6 million, as compared to RM2.1 million in 1H19.

The Group recorded loss before tax of RM1.3 million and RM4.3 million for 1H20 and 1H19 respectively, largely attributable to overall cost rationalisation efforts and higher revenue. Net loss attributable to the owners of the Company declined from RM3.7 million to RM1.9 million.

Comparison with Immediate preceding quarter

	Current Quarter	Immediate
	30 June 2020	Preceding Quarter 31 March 2020
	RM	RM
Group Result		
Revenue	10,128,144	9,509,911
Gross profit	2,811,847	2,961,096
(Loss)/ Profit before interest and taxation	(551,086)	(231,276)
(Loss)/ Profit before taxation	(790,270)	(491,255)
Loss after taxation	(1,150,105)	(782,029)
Loss attributable to owners of the company	(1,135,162)	(746,577)

The Group recorded a higher loss before tax despite a 6.5% increase of revenue to RM10.0 million for the current quarter, as compared to RM9.5 million in the immediate preceding quarter. This was mainly due to higher operating cost for the reporting 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. 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 Q3 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 RM52 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

	Current quarter ended		Cumulative quarter ended	
	30 June		30 June	
	2020	2019	2020	2019
	RM	RM	RM	RM
Current tax				
- Current year	560,474	242,000	736,628	482,000
- Prior year	-	-	-	74
	<u>560,474</u>	<u>242,000</u>	<u>736,628</u>	<u>482,074</u>
Deferred tax				
Origination and reversal of temporary differences	(200,639)	(355,000)	(86,019)	(710,000)
	<u>359,835</u>	<u>(113,000)</u>	<u>650,609</u>	<u>(227,926)</u>

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.

MCMC had withdrawn the suit against Privasat Sdn Bhd with no liberty to file afresh and with no order as to costs on 3 August 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

	Current quarter ended		Cumulative quarter ended	
	30 June		30 June	
	2020	2019	2020	2019
	RM	RM	RM	RM
Loss for the period is arrived at after charging/ (crediting):				
Amortisation of intangible assets	154,993	163,194	316,742	326,016
Depreciation of investment properties	6,649	6,649	13,298	13,298
Depreciation of property, plant and equipment	1,801,218	1,900,952	3,645,798	3,879,056
Property, plant and equipment written off	32,966	34,825	33,500	71,697
Reversal of impairment loss on trade receivables	(438,674)	(113,934)	(477,298)	(1,081,105)
Impairment loss on trade receivables	54,023	285,591	54,023	528,748
Bad debts written off	376,043	-	376,043	537,136
Unrealised (gain)/loss on foreign exchange	(7,896)	11,144	42,580	(31,676)
Realised loss on foreign exchange	52,150	10,428	55,675	39,439
Gain on disposal of property, plant and equipment	(104)	(48,292)	(1,401)	(49,830)
Written off of inventories	-	-	863	216
Written down of inventories	-	21,187	-	48,409
Reversal of inventories written down	(1,350)	-	(1,350)	-
Finance costs	239,184	464,501	499,163	923,090
Finance income	(20,351)	(37,716)	(102,241)	(79,954)

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.

	Current quarter ended		Cumulative quarter ended	
	30 June		30 June	
	2020	2019	2020	2019
Loss attributable to equity holders (RM)	(1,135,162)	(1,620,906)	(1,881,739)	(3,748,184)
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)	(0.20)	(0.29)	(0.34)	(0.67)

- (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 26 August 2020.