

Privasia Technology Berhad
200801023769 (825092-U)
(Incorporated In Malaysia)

**Unaudited Condensed Consolidated
Interim Financial Statements
for the 2nd Quarter Ended 30 June 2022**

PRIVASIA TECHNOLOGY BHD 200801023769 (825092-U)

(Incorporated In Malaysia)

Unaudited Condensed Consolidated Interim Financial Statements

Unaudited Condensed Consolidated Statement of Financial Position as at 30 June 2022

	<u>Note</u>	As at 30 June 2022	As at 31 December 2021
		RM	RM
ASSETS			
Non-current assets			
Property, plant and equipment		15,320,787	13,096,687
Investment property		1,812,660	1,825,957
Goodwill		31,888,234	31,888,234
Other intangible assets		7,194,372	7,201,900
Investment in associates		-	-
Deferred tax assets		300,000	300,000
Total non-current assets		56,516,053	54,312,778
Current assets			
Inventories		441,908	477,889
Current tax assets		348,628	190,582
Trade receivables		9,491,372	7,239,933
Other receivables, deposits and prepayments		8,267,894	4,611,077
Contract assets		4,806,274	5,709,039
Deposits, cash and bank balances		6,506,020	10,329,550
Total current assets		29,862,096	28,558,070
TOTAL ASSETS		86,378,149	82,870,848
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		62,630,042	62,630,042
Exchange reserve		(32,735)	(18,020)
Accumulated losses		(6,827,495)	(1,678,344)
		55,769,812	60,933,678
Non-controlling interests		(789,563)	(928,435)
TOTAL EQUITY		54,980,249	60,005,243
LIABILITIES			
Non-current liabilities			
Loans and borrowings	8	7,553,815	5,875,550
Deferred tax liabilities		113,959	-
Total non-current liabilities		7,667,774	5,875,550
Current liabilities			
Loans and borrowings	8	7,941,950	6,634,229
Trade payables		4,152,290	2,905,425
Other payables and accruals		7,174,026	5,964,289
Contract liabilities		2,041,154	1,309,378
Current tax liabilities		-	176,734
Total current liabilities		21,309,420	16,990,055
TOTAL LIABILITIES		28,977,194	22,865,605
TOTAL EQUITY AND LIABILITIES		83,957,443	82,870,848
Net assets per share (RM)		0.09	0.10

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 2021 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 profit or loss and other comprehensive income for the financial period ended 30 June 2022

	<u>Note</u>	Current Year Three months ended 30 June 2022	Preceding Year Three months ended 30 June 2021	Year-to-date 30 June 2022	Year-to-date 30 June 2021
		RM	RM	RM	RM
Revenue		8,557,312	10,888,950	15,794,442	19,870,616
Cost of sales		(6,702,736)	(7,453,054)	(12,080,074)	(14,124,014)
Gross profit		<u>1,854,576</u>	<u>3,435,896</u>	<u>3,714,368</u>	<u>5,746,602</u>
Other income		54,553	79,860	116,819	1,477,748
Other expenses		(3,285,753)	(3,762,520)	(6,276,770)	(7,114,279)
Net reversal of impairment losses on financial instruments		32,059	41,319	74,098	89,188
Results from operation		<u>(1,344,565)</u>	<u>(205,445)</u>	<u>(2,371,485)</u>	<u>199,259</u>
Finance costs		(181,973)	(149,191)	(327,554)	(311,045)
Loss before taxation	24	<u>(1,526,538)</u>	<u>(354,636)</u>	<u>(2,699,039)</u>	<u>(111,786)</u>
Income tax credit/(expense)	18	42,403	155,478	(244,804)	147,122
Net (loss)/profit for the period		<u>(1,484,135)</u>	<u>(199,158)</u>	<u>(2,943,843)</u>	<u>35,336</u>
Exchange differences on translation of foreign operation		(10,593)	(792)	(14,715)	(7,969)
Total comprehensive (loss)/income for the period		<u>(1,494,728)</u>	<u>(199,950)</u>	<u>(2,958,558)</u>	<u>27,367</u>
(Loss)/Profit attributable to:					
Owners of the Company		(1,381,542)	(75,013)	(2,728,445)	207,488
Non-controlling interests		(102,593)	(124,145)	(215,398)	(172,152)
Net (loss)/profit for the period		<u>(1,484,135)</u>	<u>(199,158)</u>	<u>(2,943,843)</u>	<u>35,336</u>
Total comprehensive (loss)/income for the period					
Owners of the Company		(1,392,135)	(75,805)	(2,743,160)	199,519
Non-controlling interests		(102,593)	(124,145)	(215,398)	(172,152)
Total comprehensive (loss)/income for the period		<u>(1,494,728)</u>	<u>(199,950)</u>	<u>(2,958,558)</u>	<u>27,367</u>
Loss/(Earnings) per share attributable to owners of the Company (sen)					
- Basic	25	<u>(0.22)</u>	<u>(0.01)</u>	<u>(0.44)</u>	<u>0.03</u>
- Diluted	25	<u>(0.22)</u>	<u>(0.01)</u>	<u>(0.44)</u>	<u>0.03</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 2021 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 2022**

	<-----Attributable to owners of the Company----->					Total equity
	Non-distributable	<-----Distributable----->			Non-controlling interests	
	Share capital	Exchange reserve	Retained earnings /(Accumulated losses)	Sub-total		
RM	RM	RM	RM	RM	RM	
At 1 January 2021	62,630,042	(10,352)	293,228	62,912,918	(641,058)	62,271,860
Total comprehensive income for the period	-	(7,969)	207,488	199,519	(172,152)	27,367
At 30 June 2021	<u>62,630,042</u>	<u>(18,321)</u>	<u>500,716</u>	<u>63,112,437</u>	<u>(813,210)</u>	<u>62,299,227</u>
At 1 January 2022	62,630,042	(18,020)	(1,678,344)	60,933,678	(928,435)	60,005,243
Total comprehensive loss for the period	-	(14,715)	(2,728,445)	(2,743,160)	(215,398)	(2,958,558)
Changes in ownership interest in a subsidiary	-	-	-	-	354,270	354,270
At 30 June 2022	<u>62,630,042</u>	<u>(32,735)</u>	<u>(4,406,789)</u>	<u>58,190,518</u>	<u>(789,563)</u>	<u>57,400,955</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 2021 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 2022

	Six months ended 30 June 2022 RM	Six months ended 30 June 2021 RM
Cash flow from operating activities		
Loss before tax	(2,699,039)	(111,786)
<i>Adjustments for:</i>		
Amortisation of intangible assets	517,622	497,999
Depreciation of investment property	13,298	13,298
Depreciation of property, plant and equipment	579,547	3,246,725
Loss on disposal of property, plant and equipment	7,094	30,520
Impairment loss on trade receivables	14,310	35,078
Interest expense	327,554	311,045
Interest income	(54,249)	(80,339)
Reversal of inventories written down	-	(11,848)
Property, plant and equipment written off	13	875
Reversal of impairment loss on trade receivables	(88,408)	(124,266)
Unrealised (gain)/loss on foreign exchange	(5,718)	12,156
Operating (loss)/profit before changes in working capital	<u>(1,387,976)</u>	<u>3,819,457</u>
Change in inventories	35,981	(21,052)
Change in trade and other receivables	(5,680,884)	(275,798)
Change in contract assets	902,765	(1,743,951)
Change in trade and other payables	2,545,074	(1,831,417)
Change in contract liabilities	731,776	467,309
Net cash (used in)/generated from in operations	<u>(2,853,264)</u>	<u>414,548</u>
Tax refunded	41,459	-
Tax paid	(507,085)	(472,931)
Interest paid	(107,739)	(191,202)
Interest received	54,249	80,339
Net cash used in operating activities	<u>(3,372,380)</u>	<u>(169,246)</u>
Cash flows from investing activities		
Proceeds from disposal of property plant and equipment	-	3,486
Acquisition of interest in a subsidiary, net of cash	200,996	-
Addition of intangible assets	(510,095)	(577,138)
Purchase of property, plant and equipment	(2,841,927)	(155,439)
Net cash used in investing activities	<u>(3,151,026)</u>	<u>(729,091)</u>
Cash flows from financing activities		
Placement of pledged deposits	(26,030)	(5,012)
Placement of deposits with licensed banks	-	146,021
Proceeds from trade facilities	865,117	566,636
Addition/(Payment) of lease liabilities	2,424,866	(1,000,563)
Repayment of term loans	(753,746)	(4,335,401)
Interest paid	(219,815)	(119,843)
Net cash generated from/(used in) financing activities	<u>2,290,392</u>	<u>(4,748,162)</u>
Net decrease in cash and cash equivalent	(4,233,015)	(5,646,499)
Cash and cash equivalents at the beginning of the period	4,179,434	10,964,873
Exchange rate adjustment	(14,715)	(7,969)
Cash and cash equivalents at the end of the period	<u>(68,296)</u>	<u>5,310,405</u>

	Six months ended 30 June 2022 RM	Six months ended 30 June 2021 RM
Cash and cash equivalents at the end of the financial period comprised the following:		
Fixed deposits	5,522,251	9,598,366
Cash and bank balances	<u>983,769</u>	<u>1,579,464</u>
	6,506,020	11,177,830
Less: Pledged deposits with licensed banks	(3,393,413)	(3,303,015)
Bank overdrafts	<u>(3,180,903)</u>	<u>(2,564,410)</u>
Cash and cash equivalent as presented in the condensed consolidated statement of cash flows	<u>(68,296)</u>	<u>5,310,405</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 2021 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 the Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting, which is in compliance with the 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 2021 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 2022.

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 2021.

3 Estimates

There were no material changes in the estimates of amount reported in prior financial periods which would 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 was no issuance, cancellation, repurchase, resale or repayment of debt securities and equity securities 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 2022	31 December 2021
	RM	RM
Non-current		
Term loans	5,503,073	5,863,961
Lease liabilities	2,050,742	11,589
	7,553,815	5,875,550
Current		
Term loans	718,939	1,111,797
Lease liabilities	499,493	62,201
Trade facilities	3,542,615	2,677,498
Bank overdrafts	3,180,903	2,782,733
	7,941,950	6,634,229
Total	15,495,765	12,509,779

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 the other entities that operate within these industries.

The analysis of the Group's operations for the financial period ended 30 June 2022 is as follows:

	Investment Holdings RM	IT RM	ICT RM	SAT RM	Elimination RM	Total RM
Total segment revenue	-	12,417,219	2,382,605	1,308,677	(314,059)	15,794,442
Gross profit	-	3,113,062	264,351	244,224	92,731	3,714,368
Other income	-	214,196	1,934	1,522	(100,833)	116,819
Other expenses	(646,735)	(4,785,663)	(434,468)	(500,237)	90,333	(6,276,770)
Net reversal of impairment losses on financial instruments	84,313	45,463	37,754	881	(94,313)	74,098
Results from operations	(562,422)	(1,412,942)	(130,429)	(253,610)	(12,082)	(2,371,485)
Finance costs						(327,554)
Income tax expense						(244,804)
Net loss for the period						(2,943,843)
Segment assets	52,016,107	81,560,568	13,017,060	1,523,449	(61,739,035)	86,378,149
Segment liabilities	33,405,863	33,359,385	11,325,747	1,705,378	(50,819,179)	28,977,194

10 Material events subsequent to the end of the interim period

There were no material events subsequent to the end of quarter under review that have not been reflected in this interim financial report.

11 Change in composition of the Group

On 20 October 2021, the Company applied to the Companies Commission of Malaysia ("CCM") to strike off its indirect subsidiary, Privasia (Sabah) Sdn. Bhd. ("PSSB"), from the register of CCM pursuant to Section 550 of the Companies Act 2016. On 7 February 2022, PSSB had been struck off from the register and dissolved following the publication of the notice of striking off pursuant to Section 551(3) of the Companies Act 2016 in the Gazette. Accordingly, PSSB has ceased to be an indirect subsidiary of the Company.

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 2021.

Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables, payables and short-term borrowings are 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 reported a revenue of RM8.6 million in the second quarter ended 30 June 2022 (2Q22) as compared to RM10.9 million in the corresponding quarter in 2021 (2Q21). This was mainly due to the decrease in revenue from IT segment which has been the main contributor to the Group's revenue.

The Information Technology ("IT") segment reported a revenue of RM6.6 million compared to revenue of RM9.6 million in 2Q21 and an operating loss of RM0.9 million as opposed to operating profit of RM0.4 million in 2Q21. The lower revenue were mainly attributed to completion of a short term project and the renewal of a 5-year outsourcing contract where the revenue is expected to grow based on the usage. The margin were also effected as it entailed unavoidable transition cost typical for a long term outsourcing project. A large portion of the related cost is front loaded, revenue and margins are expected to increase over the tenure of the project. Progressively, we anticipate the segment to record better revenue as project billing increases.

Information Communication Technology ("ICT") segment reported a revenue of RM1.5 million as compared to RM1.1 million in 2Q21. The higher revenue is attributed to the completion of projects during the quarter. The segment recorded a small operating profit of RM0.05 million in 2Q22, whereas the profit of RM0.06 million in 2Q21 was due to reversal of impairment losses on financial instruments.

The Satellite-Based Services ("SAT") segment registered a revenue of RM0.6 million as compared to RM0.7 million in 2Q21 and an operating loss of RM0.1 million as opposed to a marginal operating profit of RM0.01 million in 2Q21 due to some additional cost incurred during the current quarter.

The Group reported loss before tax ("LBT") and loss after tax ("LAT") of RM1.5 million as compared to LBT and LAT of RM0.3 million and RM0.2 million respectively in 2Q21.

Six Months Review

For the six months ended 30 June 2022, the Group recorded a lower revenue of RM15.8 million, as compared to RM19.9 million in the previous year's six months ended 30 June 2021.

Revenue for the IT segment stood at RM12.4 million, compared to RM16.9 million in the previous year's six months ended 30 June 2021. Lower revenue coupled with higher cost resulted in an increase in operating losses from RM0.9 million to RM1.4 million for period ended 30 June 2022.

The revenue of ICT segment saw a slight improvement from RM2.2 million to RM2.4 million. The period ended 30 June 2022 recorded a lower operating loss of RM0.1 million as compared to RM0.2 million in previous corresponding period.

The SAT division revenue remained at RM1.3 million for the period ended 30 June 2022, with an operating loss of RM0.3 million as compared to an operating profit of RM1.0 million for the previous corresponding period. The operating profit in 2021 is a result of sales of a portfolio of customer contract.

The Group recorded LBT and LAT of RM2.7 million and RM2.9 million respectively as compared to LBT and profit after tax ("PAT") of RM0.1 million and RM0.04 million respectively against the same period last year. The increased losses for the current period corresponds to the lower revenue and higher costs.

Comparison with Immediate preceding quarter

	Current Quarter	Immediate
	30 June 2022	Preceding Quarter
	RM	31 March 2022
	RM	RM
Group Result		
Revenue	8,557,312	7,237,130
Gross profit	1,854,576	1,859,792
Loss before interest and taxation	(1,344,565)	(1,026,920)
Loss before taxation	(1,526,538)	(1,172,501)
Loss after taxation	(1,484,135)	(1,459,708)
Loss attributable to owners of the company	(1,381,542)	(1,209,244)

The Group reported a revenue of RM8.6 million for the current quarter under review as compared to RM7.2 million in the immediate preceding quarter under review. The Group registered a LBT of RM1.5 million in the current quarter under review as compared to a LBT of RM1.2 million in the preceding quarter mainly attributed to the incurrance of unavoidable transition cost. The main factor that contributed to a higher revenue in the current quarter was due to recognition of quarter-end billings and completion of projects.

16 Future prospects

2021 was a relatively subdued year disrupted with lockdowns across various months. Hence, with the re-opening of the economic sectors and economic recovery in full swing in 2022, Privasia is working hard to capitalise on the diverse range of customers who would be able to benefit from our technological solutions. The Group has recognised the need for continuous R&D to meet the demands of its clients, as shown by its wide array of technological solutions such as ProcureHere, iTap and FinansHere

Amidst the uncertain geopolitical climate, it is inevitable that we are faced with uncertainty in the delivery of our products. We are hopeful that delivery lead times will normalise in 2022. In addition, we are working on reducing delays in contract sign-offs from clients to reduce the likelihood of delays in revenue recognition in the Group. The Group aims to tender for more projects while on the lookout for inorganic growth via investment opportunities or strategic alliances to boost its supply chain and future performance.

The Group has a healthy order book, with the current balance standing at approximately RM55 million. Moving forward, the Group remains positive towards long-term potential of its products and believes we are providing a wide array of solutions which will benefit suppliers and consumers.

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	
	2022	2021	2022	2021
	RM	RM	RM	RM
Current tax				
- Current year	(3,825)	(38,703)	130,845	251,880
	(3,825)	(38,703)	130,845	251,880
Deferred tax				
Origination and reversal of temporary differences	(38,578)	(116,775)	113,959	(399,002)
	(42,403)	(155,478)	244,804	(147,122)

19 Unquoted investments and properties

There were no purchases or disposals 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

There was no material litigation as at the date of this report.

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 2021 was not qualified.

24 Loss before taxation

	Current quarter ended		Cumulative quarter ended	
	30 June		30 June	
	2022	2021	2022	2021
	RM	RM	RM	RM
Loss for the period is arrived at after charging/ (crediting):				
Amortisation of intangible assets	257,801	262,134	517,622	497,999
Depreciation of investment properties	6,649	6,649	13,298	13,298
Depreciation of property, plant and equipment	255,876	1,563,754	579,547	3,246,725
Property, plant and equipment written off	13	1	13	876
Reversal of impairment loss on trade receivables	(32,059)	(42,879)	(88,408)	(124,266)
Impairment loss on trade receivables	-	1,560	14,310	35,078
Unrealised (gain)/loss on foreign exchange	(4,835)	(1,874)	(5,718)	12,156
Realised loss on foreign exchange	12,179	19,733	14,350	7,197
Loss on disposal of property, plant and equipment	7,094	18,422	7,094	30,520
Reversal of inventories written down	-	-	-	(11,848)
Finance costs	181,973	149,191	327,554	311,045
Finance income	(23,029)	(37,822)	(54,249)	(80,339)

25 (Loss)/Earnings per share

(a) Basic and diluted (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit 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	
	2022	2021	2022	2021
(Loss)/Profit attributable to equity holders (RM)	(1,381,542)	(75,013)	(2,728,445)	207,488
Weighted average number of ordinary shares in issue (units)	614,020,020	614,020,020	614,020,020	614,020,020
Basic (loss)/earnings per share (sen)	(0.22)	(0.01)	(0.44)	0.03

26 Authorisation for issue

The unaudited condensed consolidated interim financial statement was authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 August 2022.