



PRESTARIANG BERHAD

(922260-K)

(Incorporated in Malaysia)

**Unaudited Interim Financial Report
For the Quarter and Period Ended 30 September 2019**

PRESTARIANG BERHAD (922260-K)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2019**

	Note	Individual Quarter		Cumulative Period	
		Current Year Quarter	Preceding Year Quarter	Current Year To Date 3 months	Preceding Year To Date 3 months
		30/9/2019 RM'000	30/9/2018 RM'000	30/9/2019 RM'000	30/9/2018 RM'000
Revenue		38,151	N/A	38,151	N/A
Cost of sales		(32,267)	N/A	(32,267)	N/A
Gross profit		5,884	N/A	5,884	N/A
Other income		76	N/A	76	N/A
Administrative expenses		5,960	N/A	5,960	N/A
Other expenses		(7,209)	N/A	(7,209)	N/A
Finance costs		(674)	N/A	(674)	N/A
		(942)	N/A	(942)	N/A
Loss before taxation	B5	(2,865)	N/A	(2,865)	N/A
Income tax expense	B6	(136)	N/A	(136)	N/A
Loss after taxation		(3,001)	N/A	(3,001)	N/A
Other comprehensive income		-	N/A	-	N/A
Total comprehensive income for the financial period		(3,001)	N/A	(3,001)	N/A
Loss after taxation attributable to:-					
- Owners of the Company		(3,017)	N/A	(3,017)	N/A
- Non-controlling interest		16	N/A	16	N/A
		(3,001)	N/A	(3,001)	N/A
Total comprehensive income attributable to:					
- Owners of the Company		(3,017)	N/A	(3,017)	N/A
- Non-controlling interest		16	N/A	16	N/A
		(3,001)	N/A	(3,001)	N/A
Earnings Per Share attributable to owners of the Company (Sen)					
- Basic	B12	(0.62)	N/A	(0.62)	N/A

The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial period from 1 January 2018 to 30 June 2019 and the accompanying explanatory notes attached to these interim financial statements.

The financial year end of the Group has been changed from 31 December to 30 June. As such, there will be no more comparative financial information available for the financial period ended 30 September 2019.

PRESTARIANG BERHAD (922260-K)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Note	Unaudited As at 30/9/2019 RM'000	Audited As at 30/6/2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment		19,612	19,171
Investment properties		35,089	35,089
Other investment		8,764	8,427
Development cost		54	54
		63,519	62,741
CURRENT ASSETS			
Contract costs		8,083	19,217
Trade and other receivables		224,425	208,334
Short-term investment		40	40
Cash and bank balances		6,750	7,166
Current tax assets		-	23
		239,298	234,780
TOTAL ASSETS		302,817	297,521
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables		78,831	75,733
Borrowings	B8	26,129	27,075
Current tax liabilities		493	1,200
Contract liabilities		25,985	19,996
		131,438	124,004
NON-CURRENT LIABILITIES			
Borrowings	B8	36,429	36,446
Deferred tax liabilities		17,465	16,922
		53,894	53,368
TOTAL LIABILITIES		185,332	177,372
NET ASSETS		117,485	120,149
The EQ			
Share capital		119,700	119,700
Other reserve		(14,166)	(14,166)
Fair value reserve		(7,293)	(7,630)
Retained profits		7,517	10,534
Total equity attributable to owners of the Company		105,758	108,438
Non-controlling interest		11,727	11,711
TOTAL EQUITY		117,485	120,149
TOTAL LIABILITIES & EQUITY		302,817	297,521
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (SEN)		21.85	22.40

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial period from 1 January 2018 to 30 June 2019 and the accompanying explanatory notes attached to these interim financial statements.

The financial year end of the Group has been changed from 31 December to 30 June. As such, there will be no more comparative financial information available for the financial period ended 30 September 2019.

PRESTARIANG BERHAD (922260-K)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY
FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2019

	←-----Non-distributable ----->				Distributable					
	Share Capital RM'000	Treasury shares RM'000	Fair Value Reserve RM'000	Merger Deficit RM'000	Retained Profits RM'000	Attributable to owners of the Company RM'000	Redeemable Convertible Preference Shares RM'000	Non- controlling Interest RM'000	Total Equity RM'000	
At 31 December 2017/1 January 2018	119,700	(3,366)	-	(10,800)	58,482	164,016	237	7,050	171,303	
- Effects of adoption of MFRS 15	-	-	-	-	(18,981)	(18,981)	-	(8,135)	(27,116)	
	119,700	(3,366)	-	(10,800)	39,501	145,035	237	(1,085)	144,187	
- Effects of adoption of MFRS 9	-	-	(5,941)	-	(1,426)	(7,367)	-	-	(7,367)	
- As restated	119,700	(3,366)	(5,941)	(10,800)	38,075	137,668	237	(1,085)	136,820	
Loss after taxation / Total comprehensive income	-	-	-	-	(21,753)	(21,753)	-	12,796	(8,957)	
Transaction with owners of the Company:-										
- Fair value changes of equity instrument	-	-	(1,689)	-	-	(1,689)	-	-	(1,689)	
- Redemption of RCPS	-	-	-	-	-	-	(85)	-	(85)	
- Reclassification of RCPS	-	-	-	-	-	-	(152)	-	(152)	
- Dividends paid	-	-	-	-	(5,788)	(5,788)	-	-	(5,788)	
Total transaction with owners of the Company	-	-	(1,689)	-	(5,788)	(7,477)	(237)	-	(7,714)	
At 30 June 2019	119,700	(3,366)	(7,630)	(10,800)	10,534	108,438	-	11,711	120,149	
Loss after taxation / Total comprehensive income	-	-	-	-	(3,017)	(3,017)	-	16	(3,001)	
Transaction with owners of the Company:-										
- Fair value changes of equity instrument	-	-	337	-	-	337	-	-	337	
Total transaction with owners of the Company	-	-	337	-	-	337	-	-	337	
At 30 September 2019	119,700	(3,366)	(7,293)	(10,800)	7,517	105,758	-	11,727	117,485	

The unaudited Condensed Consolidated Statement of Change in Equity should be read in conjunction with the Audited Financial Statements for the financial period from 1 January 2018 to 30 June 2019 and the accompanying explanatory notes attached to these interim financial statements.

The financial year end of the Group has been changed from 31 December to 30 June. As such, there will be no more comparative financial information available for the financial period ended 30 September 2019.

PRESTARIANG BERHAD (922260-K)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2019

	Current Year To Date 30/9/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before taxation	(2,865)
Adjustments for:	
Depreciation of property and equipment	625
Interest expense	933
	<hr/>
Operating loss before working capital changes	(1,307)
Operating loss before working capital changes:-	
Changes in contract costs	11,133
Changes in trade and other receivables	(16,092)
Changes in contract liabilities	5,989
Changes in trade and other payables	3,097
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CASH FLOW FROM OPERATING ACTIVITIES	2,820
Interest paid	(933)
Income tax paid	(277)
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NET CASH FLOW FROM OPERATING ACTIVITIES	1,610
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CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(1,066)
Uplift pledged fixed deposits with licensed bank	2,045
	<hr/>
NET CASH FROM INVESTING ACTIVITIES	979
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CASH FLOWS FOR FINANCING ACTIVITIES	
Repayment of hire purchase obligations	(10)
Repayment of term loans	(951)
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NET CASH FLOW FOR FINANCING ACTIVITIES	(961)
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Net increase in cash and cash equivalents	1,628
Cash and cash equivalents at beginning of the financial period	2,950
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CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL PERIOD	4,578
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CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL PERIOD COMPRISES THE FOLLOWING	
Cash and bank balances	4,578
Deposits with licensed banks	2,172
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	6,750
Less: Deposits pledged with licensed banks	(2,172)
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	4,578
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The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial period from 1 January 2018 to 30 June 2019 and the accompanying explanatory notes attached to these interim financial statements.

The financial year end of the Group has been changed from 31 December to 30 June. As such, there will be no more comparative financial information available for the financial period ended 30 September 2019.

NOTES TO THE INTERIM FINANCIAL REPORT

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134 (“MFRS 134”)

A1. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with the requirement of Malaysian Financial Reporting Standards (“MFRSs”) 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the period ended 30 June 2019.

The accounting policies and methods of computation by the Group in this interim financial statement are consistent with those adopted in the financial statements for the period ended 30 June 2019 excepts for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 January 2019.

At the beginning of the current financial period, the Group adopted new MFRSs, Amendments to MFRSs and an IC Interpretation (collectively referred to as “pronouncements”) that have been issued by the MASB and are applicable as listed below:-

- Amendments to MFRS 9: Prepayment Features with Negative Compensation
- MFRS 16 Leases
- Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to MFRS Standards 2015 – 2017 Cycles
- Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
- IC Interpretation 23 Uncertainty Over Income Tax Treatments

A1. BASIS OF PREPARATION (Cont'd)

The Group expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether and Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at the date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessor will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117. MFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

PRESTARIANG BERHAD (922260-K)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2019

A2. CHANGES IN ACCOUNTING POLICIES

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and Issues Committee (“IC”) Interpretations were issued but not yet effective and have not been applied by the Group:-

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2019 :-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
• MFRS 17 Insurance Contracts	1 January 2021
• Amendments to MFRS 3: Definition of a Business	1 January 2020
• Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
• Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
• Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The adoption of the above standards and amendments are not expected to have any material financial impact to the Group upon their first adoption.

A3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited annual financial statements for the financial period ended 30 June 2019 was not qualified.

A4. SEASONAL OR CYCLICAL FACTORS

The business operations of the Group for the period ended 30 September 2019 have not been affected by any seasonal or cyclical factors.

A5. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENT

There was no material unusual items or events affecting the assets, liabilities, equity, net income or cash flow during the current financial period ended 30 September 2019.

A6. CHANGES IN ESTIMATES

There was no material changes in estimates of amounts reported in prior financial years that have a material effect to this interim financial report.

A7. CHANGES IN DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter.

These shares were retained as treasury shares and there is no resale or cancellation of the treasury shares.

A8. VALUATION OF PROPERTY AND EQUIPMENT

There was no valuation of the property and equipment in the current financial quarter.

A9. CAPITAL COMMITMENT

There was no material capital commitment for the quarter ended 30 September 2019.

A10. DIVIDENDS PAID

There was no dividend paid during the current financial quarter.

A11. SEGMENTAL INFORMATION

The Group's business segments are reflecting the Group's internal reporting structure as follow:

- a) **Software & Services and Talent** - distribution and managing the software licensing and providing the ICT and O&G training and certification.
- b) **Education** - provide specialised computer science and engineering education. It offers computer studies ranges from foundation, diploma, degree, post graduate masters and PhD.
- c) **Employment services** - Human resource management services for foreign workers' recruitment and documentation services.
- d) **Others** - Comprise the holding company which involved in activity of investment holding and its subsidiary companies.
- e) **Concession** - delivery of total solution for the integrated and comprehensive core immigration system includes design, customise, install, configure, test, commission and maintain throughout the concession period.

PRESTARIANG BERHAD (922260-K)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2019

A11. SEGMENTAL INFORMATION (CONT'D)

	RESULTS FOR 3 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)					
	ICT Services and Distribution RM'000	Concession RM'000	Education RM'000	Employment Services RM'000	Other RM'000	Total RM'000
Revenue						
External revenue	34,931	-	1,758	1,462	-	38,151
Inter-segment revenue	-	-	-	-	-	-
Segment revenue	<u>34,931</u>	<u>-</u>	<u>1,758</u>	<u>1,462</u>	<u>-</u>	<u>38,151</u>
Consolidation adjustments						-
Consolidated revenue						<u>38,151</u>
Results						
Segment (loss)/profit before interest and taxation	<u>1,505</u>	<u>(65)</u>	<u>(1,337)</u>	<u>75</u>	<u>(2,101)</u>	<u>(1,923)</u>
Finance costs						(942)
Consolidation adjustments						-
Consolidated profit before taxation						<u>(2,865)</u>

Note : The financial year end of the Group has been changed from 31 December to 30 June. As such, there will be no more comparative financial information available for the financial period ended 30 September 2019.

A12. MATERIAL EVENTS SUBSEQUENT TO THE END OF INTERIM PERIOD

In the opinion of the Board of Directors, there were no items, transactions or events of a material and unusual nature that have arisen since 30 September 2019 to the date of this announcement which would substantially affect the financial results of the Group for the period ended that have not been reflected in the condensed financial statements.

A13. CHANGES IN COMPOSITION OF THE GROUP

There were no other changes in the composition of the Group during the current financial quarter.

A14. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent assets. Contingent liabilities during the financial period were as follow:-

	<u>RM'000</u>
- Performance guarantee extended by a subsidiary to third party	14,928
- Compensation to a vendor due to project termination	7,291
- Dividend payable on Redeemable Preference Shares ("RPS")	28,800
- Special coupon on Redeemable Secured Loan Stock ("RSLs")	1,000
	<u>52,019</u>

A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group's related party transactions during the financial period were as follow:-

	Current Year To-Date RM'000
OpenLearning Global (M) Sdn Bhd - common director Sales of software	600

NOTES TO THE INTERIM FINANCIAL REPORT

PART B - ADDITIONAL INFORMATION AS REQUIRED BY MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)

B1. OPERATING SEGMENTS REVIEW

	INDIVIDUAL QUARTER	
	Current	Preceding
	Quarter	Year Quarter
	30/9/2019	30/9/2018
	RM'000	RM'000
<u>Segmental Revenue:</u>		
Software & Services and Talent		
- Software & Services	33,612	N/A
- Talent	1,319	N/A
	34,931	N/A
Education	1,758	N/A
Employment services	1,462	N/A
Concession	-	N/A
Others	-	N/A
	38,151	N/A
Inter-segment Elimination	-	N/A
Group	38,151	N/A
<u>(Loss)/Profit Before Taxation</u>		
Software & Services and Talent	569	N/A
Education	(1,341)	N/A
Employment Services	73	N/A
Concession	(65)	N/A
Others	(2,101)	N/A
	(2,865)	N/A
Inter-segment Elimination	-	N/A
Group	(2,865)	N/A

Note : The financial year end of the Group has been changed from 31 December to 30 June. As such, there will be no more comparative financial information available for the financial period ended 30 September 2019.

PRESTARIANG BERHAD (922260-K)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER
2019

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Quarter 30/9/2019 RM'000	Immediate Preceding Quarter 30/6/2019 RM'000	Variance	
			RM'000	(%)
<u>Segmental Revenue:</u>				
Software & Services and Talent				
- Software & Services	33,612	21,476	12,136	57%
- Talent	1,319	(400)	1,719	>100%
	<u>34,931</u>	<u>21,076</u>	13,855	66%
Education	1,758	1,805	(47)	-3%
Employment services	1,462	1,968	(506)	-26%
Concession	-	97,133	(97,133)	-100%
Others	-	-	-	n/a
	<u>38,151</u>	<u>121,982</u>	(83,831)	-69%
Inter-segment Elimination	-	-		
Group	<u>38,151</u>	<u>121,982</u>	(83,831)	-69%
<u>(Loss)/Profit Before Taxation</u>				
Software & Services and Talent	569	(16,487)	17,056	>100%
Education	(1,341)	(10,780)	9,439	88%
Employment services	73	496	(423)	-85%
Concession	(65)	26,619	(26,684)	-100%
Others	(2,101)	(1,818)	(283)	-16%
	<u>(2,865)</u>	<u>(1,970)</u>	(895)	-45%
Inter-segment Elimination	-	-		
Group	<u>(2,865)</u>	<u>(1,970)</u>	(895)	-45%

The Group's revenue for the current quarter is RM38.1 million, RM83.8 million or 69% lower than the preceding quarter of RM121.9 million. The reinstatement of SKIN's revenue in preceding quarter following the adoption of MFRS 15 was the main reason for lower revenue in the current quarter. The Education and Employment Services segments also recorded lower revenue in comparison to the preceding quarter.

The Group recorded LBT of RM2.9 million or 45% higher than preceding quarter due to the net effect of lower revenue following the termination of SKIN. Software and Services revenue actually grew from RM21.5 million in the previous quarter to RM33.6 million in the current quarter.

B3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 30 JUNE 2020

The Software & Services business continue to grow and is operationally profitable to the Group with on-going sustainable key projects at hand including MLA 3.0, Autodesk and Adobe.

On the Originating Summons (“OS”) against the Government of Malaysia (“GOM”) as Defendant for the claim amounting to RM733 million in relation to the termination of the Sistem Kawalan Imigresen Nasional (SKIN) by expropriation, the detail explanation is in **B9**.

Group remains positive on the compensation amount which is based on the formula stipulated under the Concession Agreement. The management is confident that there will be no impairment to the period under review.

The Group revenue for the current quarter is RM38.1 million, higher by RM7.0 million (23%) as compared to RM31.1 million in the preceding quarter excluding SKIN. The Loss After Tax (LAT) of RM3.0 million in the current quarter is 72% lower than the preceding quarter excluding SKIN of LAT RM10.5 million.

Since the Group has stopped its investment in the SKIN project the operating cashflow has returned to being positive. With this and the continued focus to grow the existing businesses and further cost rationalisation the Group is on track in its recovery journey.

B4. VARIANCE ON PROFIT FORECAST/PROFIT GUARANTEE

The Group did not issue any profit forecast or profit estimate previously in any public document.

B5. LOSS BEFORE TAXATION

Loss before taxation is derived after taking into consideration of the following:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter	Preceding Year Quarter	3 months Current Year To Date	3 months Preceding Year To Date
	30/9/2019 RM'000	30/9/2018 RM'000	30/9/2019 RM'000	30/9/2018 RM'000
Interest expense	933	N/A	933	N/A
Depreciation and amortisation	625	N/A	625	N/A
Foreign exchange loss/(gain)	29	N/A	29	N/A

PRESTARIANG BERHAD (922260-K)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2019

B6. INCOME TAX EXPENSE

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current Year Quarter</u> 30/9/2019 RM'000	<u>Preceding Year Quarter</u> 30/9/2018 RM'000	<u>3 months Current Year To Date</u> 30/9/2019 RM'000	<u>3 months Preceding Year To Date</u> 30/9/2018 RM'000
Malaysia tax:				
- for the current year	136	N/A	136	N/A
- Under provision in prior year	-	N/A	-	N/A
Deferred tax:				
- Deferred tax liabilities	-	N/A	-	N/A
	136	N/A	136	N/A

Note : The financial year end of the Group has been changed from 31 December to 30 June. As such, there will be no more comparative financial information available for the financial period ended 30 September 2019.

The effective tax rate higher than the statutory income tax rate due to profit of certain companies.

B7. STATUS OF CORPORATE PROPOSALS

There is no corporate proposal undertaken by the Group for the current quarter.

B8. BORROWINGS

The Group's borrowing and debts securities as at 30 September 2019 are as follows:

	<u>Long term borrowing</u>			<u>Short term borrowing</u>			<u>Total (RM'000)</u>
	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Total</u> RM'000	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Total</u> RM'000	
<u>Borrowings</u>							
- Hire purchase payables	44	-	44	41	-	41	85
- Term Loan	26,233	-	26,233	2,520	-	2,520	28,753
- Revolving Credit	-	-	-	23,568	-	23,568	23,568
<u>Preference Shares</u>							
- RSLs	10,000	-	10,000	-	-	-	10,000
- RPS "A"	152	-	152	-	-	-	152
Total	36,429	-	36,429	26,129	-	26,129	62,558

PRESTARIANG BERHAD (922260-K)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2019

B9. MATERIAL LITIGATION

The Group has filed and served its Originating Summons (“OS”) dated 15 April 2019 against the Government of Malaysia (“GOM”) as Defendant claiming the amount of RM733 million in relation to the termination of the Sistem Kawalan Imigresen Nasional (SKIN) by expropriation. The Group remains positive on the compensation amount based on the formula stipulated under the Concession Agreement. The management is confident that there will be no impairment to the period under review.

Separately, PSKIN and GOM have also agreed to refer the dispute in respect of PSKIN’s Originating Summons to court-annexed mediation conducted by the Kuala Lumpur Court Mediation Centre (“**Mediation Centre**”). The parties agreed that the mediation process shall proceed concurrently with the court proceedings. On 30 October 2019, representatives from PSKIN and GOM (with parties’ respective Counsel) attended the first mediation session. A further mediation session between the parties will be fixed in due course.

B10. FAIR VALUE HIERARCHY

There were no transfers between any levels of the fair value hierarchy took place during the current quarter and the comparative period. There was also no change in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

B11. PROPOSED DIVIDEND

No interim dividend has been declared for the current quarter ended 30 September 2019.

B12. EARNINGS PER SHARE

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter 30/9/2019	Preceding Year Quarter 30/9/2018	3 months Current Year To Date 30/9/2019	3 months Preceding Year To Date 30/9/2018
Total comprehensive income attributable to owners of the Company (RM'000)	(3,017)	N/A	(3,017)	N/A
Weighted average number of ordinary shares in issue ('000)	484,000	484,000	484,000	484,000
Basic earning per share (sen)	(0.62)	N/A	(0.62)	N/A

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B13. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The material uncertainty disclosed in the Independent Auditor's Report in the Annual Audited Financial Report for the period ended 30 June 2019 are as follows:-

- (a) The termination of Sistem Kawalan Imigresen Nasional ("SKIN") project by the Government of Malaysia ("GOM"), resulting in the Group undertaking a legal suit against the GOM to recover the sums under the SKIN project. Further details on the amount due for SKIN project and legal suit are disclosed in Notes 14(b) and 52, respectively.
- (b) During the financial period ended 30 June 2019, the Group and the Company recorded:-
 - (i) negative operating cash flows of RM72,253,000 and RM12,365,000 respectively; and
 - (ii) loss after taxation of RM8,957,000 and RM53,312,000 respectively.
- (c) The group has accepted advances of RM1,500,000 and RM5,000,000 from a director and a former director of the Company respectively for working capital purpose.

These indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and whether the Group and the Company have sufficient cash flows to meet their obligations as and when they fall due.

In the preparation of the Group financial statements, the management has made an assessment on its working capital sufficiency and with the support of a cash flow projection incorporating the agreed action plan for the turnaround of the Group the Board and management have concluded that the Group and the Company have sufficient working capital to finance their operations and to meet their financial obligations as and when they fall due.

As at the end of the reporting period and as at the date these financial statements were authorised for issue, the directors are of the opinion that based on the strategy and action plans that the Management have presented and approved by the Board there is sufficient working capital to meet the financial obligations of the company as they fall due and therefore no material uncertainty exists over the ability of the Group and the Company to continue as a going concern. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue as a going concern.

In relation to the above, the Board wishes to advise on the following:-

1. The Material Uncertainty to Going Concern highlighted in the Independent Auditors' Report was due primarily to the termination of Sistem Kawalan Imigresen Nasional ("SKIN") project by the Government of Malaysia ("GOM"). Prestariang SKIN Sdn. Bhd. ("PSKIN"), a wholly owned subsidiary of Prestariang Services Sdn. Bhd., filed and served an Originating Summons ("OS") dated 15 April 2019 against the Government of Malaysia ("GOM") claiming the amount of RM733 million in relation to the termination of SKIN by expropriation.

B13. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN (CONT'D)

On 30 October 2019, the High Court Judge dismissed GOM's application to convert PSKIN's OS to a Writ action and awarded costs to PSKIN. In dismissing GOM's application, the Judge held, among others, that the termination of the Concession Agreement by expropriation is not in dispute. The only issue for the determination of the Court is the amount to be paid by GOM as a consequence of the expropriation. The Concession Agreement provides for a contractual formula to determine the amount to be paid. As such, there are no disputes of fact to warrant a trial. The Judge further directed that the hearing of PSKIN's OS and cross-examination of the deponents of affidavits (if necessary) be fixed for 1 July 2020, 2 July 2020 and 3 July 2020. Based on this development, the Group remains positive on the RM733 million contractual amount claimed against GOM based on the formula stipulated under the Concession Agreement.

Separately, PSKIN and GOM have also agreed to refer the dispute in respect of PSKIN's OS to court-annexed mediation conducted by the Kuala Lumpur Court Mediation Centre. The parties agreed that the mediation process shall proceed concurrently with the court proceedings. On 30 October 2019, representatives from PSKIN and GOM (with parties' respective Counsel) attended the first mediation session. A further mediation session between the parties will be fixed in due course.

2. The Group's negative operating cashflow of RM72,253,000 for the financial period ended 30 June 2019 was a result of the SKIN revenue remaining uncollected and therefore recorded as a trade receivable. If we adjust for the investment in the SKIN project, the Group's operating cashflow would have been positive. The Group's operating cashflow for current financial period ended 30 September 2019 has returned to positive and is RM1.61 million.
3. In addition, the Group are in the midst of executing some other action plans such as divestment of assets, cost cutting measures and rationalization of the Group's businesses to improve its cash flow and increase working capital available for the business to grow.
4. Moving forward, the Group will also play a critical role in bringing together technology and talent for the country's manufacturing sector with the global shift towards Industry 4.0 and Malaysia's version of Industry4WRD. The Group is able to provide end-to-end solutions in terms of talent management encompassing talent acquisition, profiling, training and placement to complement our existing software and services business.

B14. KEY AUDIT ISSUES

The following are the Key Audit Matters as reported in the Independent Auditors' Report in the Group's Audited Financial Statements for the period ended 30 June 2019. These matters were addressed in the context of audit of the financial statements of the Group as a whole and in forming auditors' opinion thereon, and the auditor does not provide a separate opinion on these matters.

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B14. KEY AUDIT ISSUES (CONT'D)

Revenue and cost recognition for SKIN Project Refer to Note 33 to the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
<p>The Group has reported revenue and cost of sales of approximately RM175.5 million and RM105.0 million, respectively for the SKIN Project during the financial period.</p> <p>The recognition of revenue on the SKIN Project is based on the percentage of completion method. The determination of the percentage of completion requires management to exercise significant judgement in estimating the total costs to complete the SKIN Project.</p> <p>We determined this to be a key audit matter due to the complexity and judgemental nature of the budgeting of contract costs and the determination of revenue recognised.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> • Reviewed the contracts and discussed with management to obtain a full understanding of the terms and risks to assess the appropriateness of revenue recognition; • Assessed the management's assessment in determining the percentage of completion of projects and estimations of budgeted revenue and costs; • Assessed the reliability of total budgeted costs by comparing budgeted costs to actual outcomes; • Performed verification on the actual costs incurred for the financial period; and • Performed re-computation on the profit recognised and checked calculation of the percentage of completion.

B14. KEY AUDIT ISSUES (CONT'D)

Valuation of other investment Refer to Note 9 to the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
<p>The Group classifies its unquoted equity investments as Fair Value Through Other Comprehensive Income ("FVOCI"). In estimating the fair value of these investments, the Group used valuation techniques which took into consideration key assumptions, estimates and/or unobservable input information of the underlying company in which the Group has invested in.</p> <p>We focused on this area as it involved the exercise of significant judgement by the directors and the use of assumptions and estimates.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> • Obtained an understanding of the methodology adopted by management in estimating the fair value of these investments and whether such methodology is consistent with those used in the industry; • Discussed with management to obtain an understanding of the related underlying data used as input to the valuation models; • Discussed with the management the key assumptions and estimates used in the valuation model; and • Assessed the appropriateness of the valuation techniques and checked the reasonableness of the discount rate used, with the assistance of our valuation experts.

Impairment assessment of trade receivables Refer to Notes 14 and 49.1(b)(iii) to the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
<p>As at 30 June 2019, trade receivables amounted to approximately RM200.32 million. The details of trade receivables and its credit risks are disclosed in Note 49.1(b)(iii) to the financial statements.</p> <p>The management applied assumptions in assessing the level of allowance for impairment losses on trade receivables based on the following:-</p> <ul style="list-style-type: none"> • customers' payment profiles of past sales and corresponding historical credit losses; • specific known facts or circumstances on customers' ability to pay; or • by reference to past default experience. 	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> • Obtained an understanding of:- <ul style="list-style-type: none"> • the Group's control over the receivable collection process; • how the Group identifies and assesses the impairment of receivables; and • how the Group makes the accounting estimates for impairment. • Reviewed the ageing analysis of receivables and testing the reliability thereof; • Reviewed subsequent cash collections major receivables and overdue amounts;

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B14. KEY AUDIT ISSUES (CONT'D)

<p>impairment assessment involves significant judgements and there is inherent uncertainty in the assumptions applied by the management to determine the level of allowance.</p> <p>This is considered a key audit matter due to the inherent subjectivity that is involved in making judgement in relation to the recoverability of trade receivables.</p>	<ul style="list-style-type: none"> • Made inquiries of management regarding the action plans to recover overdue amounts; • Examined other evidence including customers' correspondences, proposed or existing settlement plans, repayment schedules, etc; and • Evaluating the reasonableness and adequacy of the allowance for impairment loss recognised.
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<p>Development costs Refer to Note 11 to the financial statements</p>	
<p>Key Audit Matter</p>	<p>How our audit addressed the key audit matter</p>
<p>Management exercise their judgment in determining the development costs that are qualified for capitalisation with respect to the technical feasibility of the products developed and ability to generate future economic benefits.</p> <p>This is considered a key audit matter given the materiality of the Group's development costs and the inherent subjectivity in impairment testing.</p> <p>The aforementioned impairment review gave rise to impairment loss of RM9,644,000 to the Group as disclosed in Note 11 to the financial statements.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Made enquiries on the latest development and status of these projects and reviewed management's assessment of impairment by considering both internal and external sources of information; • Reviewed the management measurement and assessment in the identification of additional development costs capitalised; • Reviewed management's estimate of the recoverable amounts and tested the cash flow forecasts for their accuracy; • Evaluated the appropriateness and reasonableness of the key assumptions; • Performed sensitivity analysis over the key assumptions to understand the impact of changes over the recoverable amounts; and • Reviewed the adequacy of disclosure in the financial statements.

B15. AUTHORISED FOR ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 November 2019.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN (MAICSA 0777689)

LIM LIH CHAU (LS 0010105)

Secretaries

Kuala Lumpur

27 November 2019