

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

Unaudited condensed consolidated
interim financial statements
for the period ended 31 March 2017

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements**Unaudited condensed consolidated statements of financial position as at 31 March 2017**

	As at 31.03.2017	As at 31.12.2016
	RM	RM
Assets		
Property, plant and equipment	39,544,811	41,425,238
Investment properties	2,267,287	2,273,936
Intangible assets	38,014,926	37,793,419
Other investment	500,000	500,000
Deferred tax assets	1,073,987	1,073,987
Total non-current assets	<u>81,401,011</u>	<u>83,066,580</u>
Inventories	2,250,466	2,350,822
Trade receivables	24,130,108	28,819,519
Current tax assets	1,300,999	1,336,335
Prepaid project expenses	7,061,387	4,143,565
Other receivables, deposits and prepayments	3,655,141	4,515,721
Deposits, cash and bank balances	10,775,149	10,928,271
Total current assets	<u>49,173,250</u>	<u>52,094,233</u>
Total assets	<u><u>130,574,261</u></u>	<u><u>135,160,813</u></u>
Equity		
Share capital	55,820,002	55,820,002
Retained earnings	22,485,596	24,621,611
Equity attributable to owners of the Company	<u>78,305,598</u>	<u>80,441,613</u>
Non-controlling interests	(86,000)	(185,011)
Total equity	<u>78,219,598</u>	<u>80,256,602</u>
Liabilities		
Loans and borrowings	19,429,375	18,652,377
Deferred tax liabilities	2,320,000	2,599,000
Total non-current liabilities	<u>21,749,375</u>	<u>21,251,377</u>
Loans and borrowings	10,993,365	11,573,912
Trade payables	11,682,473	11,881,319
Other payables and accruals	7,929,450	10,197,603
Current tax liabilities	-	-
Total current liabilities	<u>30,605,288</u>	<u>33,652,834</u>
Total liabilities	<u>52,354,663</u>	<u>54,904,211</u>
Total equity and liabilities	<u><u>130,574,261</u></u>	<u><u>135,160,813</u></u>
Net assets per share (RM)	<u>0.14</u>	<u>0.14</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 2016 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements**Unaudited condensed consolidated statements of profit or loss and other comprehensive income for the period ended 31 March 2017**

	Three Months ended 31 March		Three Months ended 31 March	
	2017	2016	2017	2016
	RM	RM	RM	RM
Continuing operations				
Revenue	15,423,799	18,009,849	15,423,799	18,009,849
Cost of Sales	(10,797,621)	(12,364,366)	(10,797,621)	(12,364,366)
Gross profit	<u>4,626,178</u>	<u>5,645,483</u>	<u>4,626,178</u>	<u>5,645,483</u>
Other income	143,941	388,330	143,941	388,330
Operating expenses	(6,141,840)	(5,072,226)	(6,141,840)	(5,072,226)
Results from operating activities	<u>(1,371,721)</u>	<u>961,587</u>	<u>(1,371,721)</u>	<u>961,587</u>
Finance costs	(338,283)	(98,761)	(338,283)	(98,761)
(Loss) / Profit before tax	<u>(1,710,004)</u>	<u>862,826</u>	<u>(1,710,004)</u>	<u>862,826</u>
Tax expense	(327,000)	(167,989)	(327,000)	(167,989)
Net (loss) / profit for the period	<u>(2,037,004)</u>	<u>694,837</u>	<u>(2,037,004)</u>	<u>694,837</u>
Comprehensive income for the period	<u>(2,037,004)</u>	<u>694,837</u>	<u>(2,037,004)</u>	<u>694,837</u>
(Loss) / Profit attributable to:				
Owners of the company	(2,136,015)	650,353	(2,136,015)	650,353
Non-controlling interests	99,011	44,484	99,011	44,484
Profit for the period	<u>(2,037,004)</u>	<u>694,837</u>	<u>(2,037,004)</u>	<u>694,837</u>
Comprehensive (loss) / income for the period				
Owners of the company	(2,136,015)	650,353	(2,136,015)	650,353
Non-controlling interests	99,011	44,484	99,011	44,484
Comprehensive (loss) / income for the period	<u>(2,037,004)</u>	<u>694,837</u>	<u>(2,037,004)</u>	<u>694,837</u>
Basic (loss) / earnings per ordinary shares (sen)				
From continuing operations	<u>(0.38)</u>	<u>0.12</u>	<u>(0.38)</u>	<u>0.12</u>
Diluted (loss) / earnings per ordinary shares (sen)				
From continuing operations	<u>(0.38)</u>	<u>0.12</u>	<u>(0.38)</u>	<u>0.12</u>

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements**Unaudited condensed consolidated statement of changes in equity for the period ended 31 March 2017**

	<-----Attributable to owners of the Company----->				
	<i>Non-distributable</i>	<i>Distributable</i>	Subtotal	Non- controlling Interests	Total equity
	Share capital	Retained earnings			
	RM	RM	RM	RM	RM
At 1 January 2016	55,820,002	25,625,464	81,445,466	(609,480)	80,835,986
Total comprehensive income for the period	-	650,353	650,353	44,484	694,837
At 31 March 2016	<u>55,820,002</u>	<u>26,275,817</u>	<u>82,095,819</u>	<u>(564,996)</u>	<u>81,530,823</u>
At 1 January 2017	55,820,002	24,621,611	80,441,613	(185,011)	80,256,602
Total comprehensive loss for the period	-	(2,136,015)	(2,136,015)	99,011	(2,037,004)
At 31 March 2017	<u>55,820,002</u>	<u>22,485,596</u>	<u>78,305,598</u>	<u>(86,000)</u>	<u>78,219,598</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 2016 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements**Unaudited condensed consolidated statement of cash flows for the period ended 31 March 2017**

	Three months ended 31.03.2017	Three months ended 31.03.2016
	RM	RM
Cash flow from operating activities		
Profit before tax	(1,710,004)	862,826
<i>Adjustment for :</i>		
Amortisation of intangible assets	116,666	83,322
Depreciation of investment properties	6,649	11,942
Depreciation of property, plant and equipment	2,580,572	1,805,956
Finance income	(42,602)	(15,806)
Finance costs	338,283	98,761
Property, plant and equipment written off	-	1,014
Loss on disposal of property, plant and equipment	(198)	-
Unrealised gain on foreign exchange	(39,791)	(308,978)
Operating profit before changes in working capital	<u>1,249,575</u>	<u>2,539,037</u>
Change in inventories	96,189	480,677
Change in trade and other receivables	812,792	(5,373,545)
Change in trade and other payables	(782,954)	4,049,782
Net cash flows generated from operations	<u>1,375,602</u>	<u>1,695,951</u>
Tax refunded	-	990
Tax paid	(570,664)	(725,009)
Interest received	42,602	15,806
Net cash flows from in operating activities	<u>847,540</u>	<u>987,738</u>
Cash flow from investing activities		
Acquisition of intangible assets	(338,173)	(118,495)
Acquisition of property, plant and equipment	(695,776)	(2,027,999)
Net cash used in investing activities	<u>(1,033,949)</u>	<u>(2,146,494)</u>
Cash flow from financing activities		
Interest paid	(338,283)	(98,761)
(Increase)/Decrease in pledged deposits	(37,762)	828,769
Increase of loans & borrowings	2,456,559	(849,621)
Net cash flows from/(used in) financing activities	<u>2,080,514</u>	<u>(119,613)</u>
Net increase/(decrease) in cash and cash equivalent	1,894,105	(1,278,369)
Cash and cash equivalents at 1 January	2,756,175	6,059,866
Cash and cash equivalents at 31 March	<u>4,650,280</u>	<u>4,781,497</u>

Cash and cash equivalent

The reconciliation of cash and cash equivalent as presented in the condensed consolidated statement of cash flows to the deposits, cash and bank balances as presented in the condensed consolidated statement of financial position is as follows:

	Three months ended 31.03.2017	Three months ended 31.03.2016
Fixed deposits	6,460,044	4,356,198
Cash and bank balances	<u>4,315,105</u>	<u>2,761,890</u>
Deposits, cash and bank balances as presented in the condensed consolidated statement of financial position	10,775,149	7,118,088
Less: Pledged deposits with licensed banks	(3,040,702)	(2,336,591)
Bank overdrafts	(3,084,167)	-
Cash and cash equivalent as presented in the condensed consolidated statement of cash flows	<u>4,650,280</u>	<u>4,781,497</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 2016 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

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 2016 and are available upon request from the Company's registered office at No. 13A, Jalan SS21/56B, 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 2017.

2 Significant accounting policies

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 2016.

3 Estimates

There were no material changes in estimates of amount reported in prior financial periods which may have a material effect in the financial period under review.

4 Seasonal and cyclical factors

The results of the Group were not materially affected by any significant seasonal and cyclical factors during the financial period under review.

5 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period under review.

6 Issuances, cancellations, repurchases, resale and repayment of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities in the Company during the financial period under review.

7 Dividend

There were no dividends declared/ recommended and paid for the financial period under review.

8 Loans and Borrowings

	Group	
	31 March 2017 RM	31 December 2016 RM
Non-current		
Secured term loans from licensed banks	13,675,729	12,504,639
Finance lease liabilities	5,753,646	6,147,738
	19,429,375	18,652,377
Current		
Secured term loans from licensed banks	2,515,635	2,666,034
Finance lease liabilities	3,009,282	3,420,135
Bankers acceptance	2,384,281	324,326
Bank overdrafts	3,084,167	5,163,417
	10,993,365	11,573,912
Total	30,422,740	30,226,289

9 Segmental reporting

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's current reportable segments:

- Information Technology ("IT")
Comprise of IT infrastructure outsourcing, consultancy and systems integration and procurement management.
- Information and Communications Technology ("ICT")
Provision of wireless broadband infrastructure, comprehensive mobile and wireless communications consultancy, and systems development for ICT and mobile solutions providers and enterprises.
- Satellite-based network services ("SAT")
The SAT segment provides a broad spectrum of satellite-based network solutions, such as managed network, high speed internet, value-added broadband applications and satellite IP Virtual Private Network for the commercial sector and general public.

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 2017 is as follows:-
Elimination within same segment

	IT RM	ICT RM	SAT RM	ELIMINATION RM	Total RM
Total segment revenue - external	8,373,354	5,835,060	1,118,422	96,963	15,423,799
Gross profit	4,575,882	1,216,805	(1,164,753)	(1,756)	4,626,178
Other income	94,059	76	49,806	-	143,941
Other operating expenses	(4,301,580)	(949,773)	(827,808)	(62,679)	(6,141,840)
Results from operating activities	368,361	267,108	(1,942,755)	(64,435)	(1,371,721)
Finance costs					(338,283)
Tax expense					(327,000)
Net profit for the period					(2,037,004)
Segment assets	94,390,786	28,540,708	10,617,205	(70,652,923)	62,895,776
Unallocated assets					67,678,485
Total assets					130,574,261
Segment liabilities	39,736,254	34,869,963	18,323,094	(49,530,630)	43,398,681
Unallocated liabilities					8,955,982
Total liabilities					52,354,663

10 Material events subsequent to the end of the interim period

There were no material subsequent events up to the date of this report that will affect the financial statements of the financial period under review.

11 Change in composition of the Group

There were no changes in the composition of the Group for the financial period under review.

12 Changes in contingent liabilities or contingent assets

As at the date of this report, the Group does not have any contingent liabilities or contingent assets.

13 Capital commitments

There were no material commitments for the purchase of property, plant and equipment incurred or known to be incurred for in the current financial period under review.

14 Financial instruments

The Group's financial risk management objectives and policies and risk profile are consistent with those disclosed in the consolidated annual financial statements as at and for the year ended 31 December 2016.

Fair value information

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

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

Fair value hierarchy

The table below analyses financial instruments not carried at fair value for which fair value is disclosed and carrying amounts shown in the statement of financial position.

Fair value of financial instruments not carried at fair value

	Level 2 RM	Total Fair Value RM	Carrying Amount RM
As at 31 March 2017			
Financial liabilities			
Finance lease liabilities	(7,874,912)	(7,874,912)	(8,762,928)
As at 31 December 2016			
Financial liabilities			
Finance lease liabilities	(10,256,029)	(10,256,029)	(9,567,873)

During the 12 months ended 31 December 2016, there were no transfers between fair value hierarchy of financial assets and financial liabilities.

Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B**15 Review of performance**

For the first quarter ended 31 March 2017 (1Q17), Privasia reported lower revenue of RM15.4 million compared to RM18.0 million a year ago, mainly due to lower revenue of the Information Technology (IT) segment, as well as lower billings in the satellite-based services (SAT).

The reduced revenue in the IT segment is due to the Group's focus on the development of an enhanced version of its Procurehere platform which resulted in fewer bids undertaken and reduced activities in the spend management business during the quarter.

Lower billings in the SAT segment is in line with the Group's process of realigning the customer base of its SAT segment in order to achieve better growth, as well as implementing cost management measures to be more resilient to currency fluctuations.

The Group also achieved higher revenue in the Information Communications Technology (ICT) as the result of implementation of more telecommunications engineering jobs, which offset the smaller-value system integration projects.

Privasia noted loss before tax (LBT) and net loss of RM1.7 million and RM2.1 million respectively, compared to profit before tax (PBT) and net profit of RM0.9 million and RM0.7 million in the previous corresponding quarter (1Q16). This was in light of lower revenue and increased finance costs for equipment purchase.

Comparison with preceding quarter

1Q17 revenue was lower compared to RM19.6 million in the preceding quarter (4Q16). 1Q17 LBT and net loss was higher than 4Q16 PBT and net profit of RM1.7 million and RM0.8 million respectively were due to similar factors stated above.

16 Future prospects

On top of our orderbook of approximately RM106 million which will last us till 2021, Privasia would continue to leverage on our expertise in developing Intellectual Property (IP) solutions and adapting them to cater to the increasingly-mobile population.

To this end, we have completed the development of the enhanced version of ProcureHere, which is slated for launch in the second half of the year. The enhanced version of Procurehere features newer technology and incorporation of a cloud-based system, which would lead to easier customer onboarding and bidding process and allows the Group to expand its market reach.

Development works on our Port Management Solution is on track for completion by end 2017 and is scheduled for launch in early 2018.

Both these developments would allow us to penetrate into a larger pool of existing and potential customers across small-medium enterprises (SMEs) and large corporations.

In the ICT segment, we intend to tender for engineering projects directly with telecommunications companies, hence moving up the value chain from our past experience as a subcontractor.

In our SAT business, with our fully commissioned satellite hub, we are focused on growing the number of sites and customer bases, whilst implementing cost management measures.

While we foresee future challenges in the year ahead, we are also excited by the prospects as we know the strength of our product offering to grow market share. We are confident that these measures will contribute positively to our future prospects.

17 Variance on Profit Forecast

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

18 Income tax expenses

	Cummulative quarter ended 31 March	
	2017 RM	2016 RM
Current tax		
- Current year	606,000	666,000
- Prior year	-	(61,736)
	<hr/> 606,000	<hr/> 604,264
Deferred tax		
Origination and reversal of temporary differences	(279,000)	(436,275)
Tax expenses from continuing operations	<hr/> <hr/> 327,000	<hr/> <hr/> 167,989

19 Unquoted investments and properties

There were no purchase or disposal of unquoted investments and properties for the current financial period under review.

20 Status of corporate proposals announced

There were no corporate proposals announced.

21 Off balance sheet financial instruments

As at the reporting date, the Group does not have any off balance sheet financial instruments.

22 Material litigation

There was no material litigation for the current financial period under review.

23 Auditor's report on preceding annual financial statements

The auditor's report on the latest audited annual financial statements for the year ended 31 December 2016 was not modified.

24 Profit for the period

	Cummulative quarter ended	
	2017	2016
	RM	RM
Profit for the period is arrived at after charging/ (crediting):		
Amortisation of intangible assets	116,666	83,322
Depreciation of investment properties	6,649	11,942
Depreciation of property, plant and equipment	2,580,572	1,805,956
Property, plant and equipment written off	-	1,014
Unrealised gain on foreign exchange	(39,791)	(308,978)
Realised loss on foreign exchange	22,365	138,303
Loss on disposal of property, plant and equipment	(198)	-
Finance costs	338,283	98,761
Finance income	(42,602)	(15,806)

The following items are not applicable for the current financial period under review:

- 1) Provision for and write off of inventories;
- 2) (Gain)/loss on derivatives;
- 3) Impairment of assets;
- 4) Provision for and write off of receivables.

25 (Loss)/Earnings per share

(a) Basic (loss)/earnings per share

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

	Cummulative quarter ended	
	2017	2016
	RM	RM
Profit attributable to equity holders (RM)	(2,136,015)	650,353
Weighted average number of ordinary shares in issue (units)	558,200,020	558,200,020
Basic (loss)/earnings per share (sen)	(0.38)	0.12

(b) Diluted (loss)/earnings per share

There are no dilutive effects to the shares during the financial period under review.

26 Breakdown of realised and unrealised profits

The breakdown of retained profits of the Group as at reporting date, into realised and unrealised profits, as disclosed to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:-

	Group	
	31 March 2017	31 December 2016
	RM	RM
Total retained profits of Privasia Technology Berhad and its subsidiaries		
- Realised	8,049,908	10,402,835
- Unrealised	(1,782,024)	(2,100,815)
	6,267,884	8,302,020
Total share of loss from associated company:		
- Realised	-	-
Add: Consolidation adjustments	16,217,712	16,319,591
Total group retained profits as per consolidated interim financial statements	22,485,596	24,621,611

The determination of realised and unrealised profits is based on Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

27 Authorisation for issue

The unaudited condensed consolidated interim financial statement were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 May 2017.