

Privasia Technology Berhad

Company No.825092-U
(Incorporated In Malaysia)

Unaudited Condensed Consolidated

**Interim Financial Statements
for the 4th Quarter Ended 31 December 2019**

PRIVASIA TECHNOLOGY BHD (825092-U)*(Incorporated In Malaysia)***Unaudited Condensed Consolidated Statements of Financial Position
As At 31 December 2019**

		(Unaudited) As At	(Audited) As At
	Note	31 December 2019	31 December 2018
		RM	RM
ASSETS			
Property, plant and equipment		25,601,955	29,530,840
Investment property		2,194,149	2,220,745
Goodwill and other intangible assets		42,424,277	41,719,336
Deferred tax assets		300,000	617,800
Right-of-use assets		435,096	-
		<u>70,955,477</u>	<u>74,088,721</u>
Current Assets			
Inventories		1,047,548	1,320,902
Trade and other receivables		16,815,322	26,358,849
Tax assets		183,163	1,296,223
Deposits, cash and bank balances		6,834,047	8,269,998
		<u>24,880,080</u>	<u>37,245,972</u>
TOTAL ASSETS		<u>95,835,557</u>	<u>111,334,693</u>
EQUITY AND LIABILITIES			
Share capital		55,820,002	55,820,002
Exchange reserve		(1,852)	(4,848)
Retained earnings		6,553,645	12,410,380
		<u>62,371,795</u>	<u>68,225,534</u>
Non-controlling interests		(874,922)	(1,106,873)
TOTAL EQUITY		<u>61,496,873</u>	<u>67,118,661</u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	8	11,763,108	14,598,298
Lease liabilities		193,053	-
Deferred tax liabilities		1,042,000	1,829,000
		<u>12,998,161</u>	<u>16,427,298</u>
Current liabilities			
Loans and borrowings	8	9,332,565	13,925,535
Lease liabilities		244,238	-
Trade and other payables		11,609,426	13,863,199
Tax Liabilities		154,294	-
		<u>21,340,523</u>	<u>27,788,734</u>
TOTAL LIABILITIES		<u>34,338,684</u>	<u>44,216,032</u>
TOTAL EQUITY AND LIABILITIES		<u>95,835,557</u>	<u>111,334,693</u>
Net assets per share attributable to owners of the Company (RM)		<u>0.11</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 financial year ended 31 December 2018 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092-U)
(Incorporated In Malaysia)
**Unaudited condensed consolidated statements of profit or loss and other comprehensive income
for the financial year ended 31 December 2019**

	Note	INDIVIDUAL QUARTER		YEAR-TO-DATE	
		Current Year Quarter	Preceding Year Quarter	Current Year	Preceding Year
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
		RM	RM	RM	RM
Revenue		10,959,042	14,031,179	38,866,036	52,531,641
Cost of Sales		(6,231,972)	(8,250,607)	(23,486,508)	(31,736,630)
Gross profit		<u>4,727,070</u>	<u>5,780,572</u>	<u>15,379,528</u>	<u>20,795,011</u>
Other income		211,619	1,161,190	582,467	1,410,410
Operating expenses		(4,338,019)	(6,168,159)	(18,964,579)	(24,396,098)
Results from operations	9	<u>600,670</u>	<u>773,603</u>	<u>(3,002,584)</u>	<u>(2,190,677)</u>
Impairment loss on goodwill		(468,996)	-	(468,996)	-
Finance costs		(52,197)	(259,144)	(1,386,246)	(1,525,007)
Profit/(Loss) before taxation	24	<u>79,477</u>	<u>514,459</u>	<u>(4,857,826)</u>	<u>(3,715,684)</u>
Taxation	18	(803,800)	(615,977)	(805,293)	(1,102,418)
Loss for the period/year		<u>(724,323)</u>	<u>(101,518)</u>	<u>(5,663,119)</u>	<u>(4,818,102)</u>
- foreign currency translation		11,791	(4,848)	2,996	(4,848)
Comprehensive loss for the period/year		<u>(712,532)</u>	<u>(106,366)</u>	<u>(5,660,123)</u>	<u>(4,822,950)</u>
Total profit/(loss) attributable to:					
Owners of the Company		(553,968)	212,322	(5,112,858)	(3,960,136)
Non-controlling interests		(170,355)	(313,840)	(550,261)	(857,966)
Total Loss for the period/year		<u>(724,323)</u>	<u>(101,518)</u>	<u>(5,663,119)</u>	<u>(4,818,102)</u>
Total comprehensive profit/(loss) attributable to:					
Owners of the company		(25,155,688)	207,474	(29,723,373)	(3,964,984)
Non-controlling interests		24,443,156	(313,840)	24,063,250	(857,966)
Total comprehensive loss for the period/year		<u>(712,532)</u>	<u>(106,366)</u>	<u>(5,660,123)</u>	<u>(4,822,950)</u>
Earnings/(Loss) per share attributable to owners of the Company (sen)					
- Basic and diluted	25	<u>(0.10)</u>	<u>0.04</u>	<u>(0.92)</u>	<u>(0.71)</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 2018 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092-U)

(Incorporated In Malaysia)

Unaudited condensed consolidated statement of changes in equity for the financial year ended 31 December 2019

	<-----Attributable to owners of the Company----->			Total	Non-controlling Interests	Total equity
	Share capital	Exchange reserve	Retained earnings			
At 1 January 2018	55,820,002	-	17,437,951	73,257,953	(61,427)	73,196,526
Effects of transition to MFRS	-	-	(1,067,435)	(1,067,435)	-	(1,067,435)
Restated balance at 1 January 2018	55,820,002	-	16,370,516	72,190,518	(61,427)	72,129,091
Total comprehensive loss for the year	-	(4,848)	(3,960,136)	(3,964,984)	(857,966)	(4,822,950)
Change in ownership interests in a subsidiary	-	-	-	-	20	20
Dividends paid on ordinary shares	-	-	-	-	(187,500)	(187,500)
At 31 December 2018	55,820,002	(4,848)	12,410,380	68,225,534	(1,106,873)	67,118,661
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 year	-	2,996	(5,112,858)	(5,109,862)	(550,261)	(5,660,123)
Change in ownership interests in a subsidiary	-	-	(743,877)	(743,877)	782,212	38,335
At 31 December 2019	55,820,002	(1,852)	6,553,645	62,371,795	(874,922)	61,496,873

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 2018 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092-U)

(Incorporated In Malaysia)

**Unaudited condensed consolidated statement of cash flows
for the financial year ended 31 December 2019**

	(Unaudited) Year Ended 31 December 2019 RM	(Audited) Year Ended 31 December 2018 RM
Cash flow from operating activities		
Loss before tax	(4,857,826)	(3,715,684)
Amortisation of intangible assets	674,162	656,270
Depreciation of investment properties	26,596	26,596
Depreciation of property, plant and equipment	7,349,245	10,099,319
Depreciation of right of use assets	200,500	-
Finance income	(178,498)	(200,411)
Finance costs - Loan & borrowings	1,366,826	1,525,007
Finance costs - Right of use assets	19,124	-
Written off of inventories	216	185,343
Written down of inventories	84,396	120,978
Reversal of impairment loss on trade receivables	(1,420,443)	(56,718)
Impairment loss on trade receivables	546,172	238,059
Bad debts written off	546,915	-
Property, plant and equipment written off	72,343	7,478
Gain on disposal of property, plant and equipment	(49,939)	(832,510)
Unrealised (gain) / loss on foreign exchange	(36,614)	273,420
Impairment loss on goodwill	468,996	-
Operating profit before working capital changes	<u>4,812,171</u>	<u>8,327,147</u>
Change in inventories	188,743	245,743
Change in trade and other receivables	9,545,151	4,901,711
Change in trade and other payables	(1,707,491)	(3,126,623)
Cash generated from operations	<u>12,838,574</u>	<u>10,347,978</u>
Tax refunded	1,233,696	248,448
Tax paid	(1,240,834)	(1,335,982)
Interest paid	(1,385,950)	(1,525,007)
Interest received	178,498	200,411
Net cash from operating activities	<u>11,623,984</u>	<u>7,935,848</u>
Cash flows from investing activities		
Proceeds from disposal of property plant and equipment	644,936	2,886,481
Acquisition of intangible assets	(1,846,706)	(2,934,125)
Purchase of property, plant and equipment	(4,135,721)	(3,507,283)
Acquisition of subsidiary, net of cash	-	20
Net cash used in investing activities	<u>(5,337,491)</u>	<u>(3,554,907)</u>
Cash flow from financing activities		
(Placement)/Withdrawal of deposits	(1,084,858)	502,367
Dividend paid	-	(187,500)
Net repayment of loans & borrowings	(7,141,992)	(8,071,850)
Net cash used in financing activities	<u>(8,226,850)</u>	<u>(7,756,983)</u>
Net decrease in cash and cash equivalent	<u>(1,940,357)</u>	<u>(3,376,042)</u>
Cash and cash equivalents at the beginning of the year	<u>(134,648)</u>	<u>3,246,242</u>
Exchange rate adjustment	<u>2,996</u>	<u>(4,848)</u>
Cash and cash equivalents at the end of the year	<u>(2,072,009)</u>	<u>(134,648)</u>
Cash and cash equivalents at the end of the financial year comprised the following:		
Fixed deposits	5,620,797	4,525,601
Cash and bank balances	1,213,250	3,744,397
	<u>6,834,047</u>	<u>8,269,998</u>
Less: Pledged deposits with licensed banks	(5,355,545)	(4,270,688)
	<u>1,478,502</u>	<u>3,999,310</u>
Bank overdrafts	(3,550,511)	(4,133,958)
Cash and cash equivalent as presented in the condensed consolidated statement of cash flows	<u>(2,072,009)</u>	<u>(134,648)</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 2018 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092-U)

(Incorporated In Malaysia)

A. NOTES TO THE 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 Group had adopted the amendments/improvements to MFRS 16 - Leases which is effective from 1 January 2019.

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 2018 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 year ended 31 December 2019.

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 2018.

3 Estimates

There were no material changes in estimates of amount reported in prior financial year which have a material effect in the financial year 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 quarter 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 quarter under review, except for an impairment of goodwill amounting to RM468,996..

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 quarter under review.

7 Dividend

There were no dividends paid by the Company during the financial year under review.

8 Loans and Borrowings

	As At 31 December	
	2019	2018
	RM	RM
Non-current		
Term loans	10,002,476	11,902,160
Finance lease liabilities	1,760,632	2,696,138
	<u>11,763,108</u>	<u>14,598,298</u>
Current	RM	RM
Term loans	3,992,030	4,401,012
Finance lease liabilities	902,082	1,795,378
Bankers' acceptances	887,942	3,595,187
Bank overdrafts	3,550,511	4,133,958
	<u>9,332,565</u>	<u>13,925,535</u>
Total	<u><u>21,095,673</u></u>	<u><u>28,523,833</u></u>

9 Segmental reporting

The Group comprises the following four main segments as below: -

(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.

The analysis of the Group's operations for the financial year ended 31 December 2019 is as follows:-

	Investment Holdings RM	IT RM	ICT RM	SAT RM	Elimination RM	Total RM
Total segment revenue	3,651,988	29,511,581	7,698,512	2,348,565	(4,344,610)	38,866,036
Gross profit	3,651,988	16,764,607	336,170	(1,006,755)	(4,366,482)	15,379,528
Other income	-	4,054,246	2,292	58,263	(3,532,334)	582,467
Other operating expenses	(4,142,350)	(16,507,688)	(2,651,337)	(2,488,398)	6,825,194	(18,964,579)
Results from operations	(490,362)	4,311,165	(2,312,875)	(3,436,890)	(1,073,622)	(3,002,584)
Impairment loss on goodwill						(468,996)
Finance costs						(1,386,246)
Tax expense						(805,293)
Loss for the year						(5,663,119)
Segment assets	99,540,480	81,663,246	18,726,363	4,220,675	(108,315,207)	95,835,557
Segment liabilities	35,729,671	32,612,142	19,083,340	8,348,598	(61,435,067)	34,338,684

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 year under review.

11 Change in composition of the Group

There were no changes in the composition of the Group for the current quarter under review except for the following:

Privanet Sdn Bhd, a wholly-owned subsidiary of the Company has on 19 November 2019 subscribed to 4,000,000 shares of RM1 each in Privatel Sdn Bhd for a consideration of RM4.0 million, representing additional 20% equity interest in Privatel. Total shareholding now stands at 95%.

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 during the current quarter 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 2018.

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.

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 December 2019			
Financial liabilities			
Finance lease liabilities	(2,545,554)	(2,545,554)	(2,662,714)
As at 31 December 2018			
Financial liabilities			
Finance lease liabilities	(4,099,611)	(4,099,611)	(4,491,516)

There were no transfers between fair value hierarchy of financial assets and financial liabilities during the current financial year.

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

15 Review of performance

Fourth Quarter Review

Privasia's revenue dropped by 22% to RM11.0 million from RM14.0 million in 4Q18.

The Information Technology (IT) revenue remained at RM9.1 million compared to 4Q18. Operating profit improved from RM2.6 million to RM3.2 million.

The Information Communication Technology (ICT) revenue dropped from RM5.5 million to RM2.0 million during the quarter under review. The segment recorded an operating loss of RM0.7 million compared to RM0.2 million due to lower revenue.

The revenue of satellite-based services (SAT) segment declined to RM0.5 million compared to RM0.8 million in 4Q18. This segment reported an operating loss of RM0.7 million in 4Q19 compared to RM0.8 million in 4Q18.

Overall, Privasia achieved an operating profit of RM0.6 million compared to RM0.7 million in 4Q18.

12 Months Review

For the twelve months ended 31 December 2019, Privasia's revenue reduced to RM38.8 million, compared to RM52.5 million in the previous twelve months ended 31 December 2018.

Revenue for the IT segment stood at RM29.5 million, reduced from RM37.0 million in year 2018 due to renegotiation of contract terms with customers. Lower revenue and margin resulted a lower operating profit of RM4.3 million in 4Q19 compared to RM5.9 million in 4Q18.

The ICT segment revenue in 4Q19 dropped to RM7.7 million, from RM13.8 million in 4Q18 due to diversification to other more profitable installation services. Operating loss reduced to RM2.3 million compared to loss of RM2.6 million in year 2018.

The SAT division revenue dropped to RM2.3 million in year 2019, compared to RM3.3 million in year 2018. The segment loss reduced to RM3.4 million compared to RM4.4 million.

The Group recorded a loss attributable to the owners of the Company of RM5.1 million in year 2019, compared to RM4.0 million in year 2018 resulting from lower revenue. Loss after tax reported at RM5.7 million, compared to loss of RM4.8 million in year 2018.

Comparison with Immediate preceding quarter

	Current Quarter 31 December 2019 RM	Immediate Preceding Quarter 30 September 2019 RM	Changes %
Group Result			
Revenue	10,959,042	9,067,929	20.9%
Gross profit	4,727,070	4,113,429	14.9%
Profit/ (Loss) before interest and taxation	600,670	(227,502)	364.0%
Profit/ (Loss) before taxation	79,477	(638,461)	112.4%
Loss after taxation	(724,323)	(867,880)	16.5%
Loss attributable to owners of the company	(553,968)	(810,706)	31.7%

Revenue for the current quarter increased by RM1.9 million compared to the preceding quarter, mainly due to higher revenue from the IT segment. The Group recorded a profit before tax of RM0.1 million in the reported quarter due to lower operating expenses and finance cost compared to loss of RM0.6 million in preceding quarter.

16 Future prospects

Privasia is mindful of the challenging market conditions in line with the economic uncertainty. Nevertheless, 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. Revenue is expected to increase in the next quarter.

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 when we launch our Procure to Pay solution in Q1 of 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 segment, we will maintain our efforts in expanding our clientele base, mainly by leveraging on our track record to maintain our relationship and work closely with telecommunications companies and key principals. ICT will be focusing more on other services with higher profit margin such as inbuilding coverage (IBC) and outside plant (OSP).

We will continue to deliver on our order book, with the current unbilled balance standing at RM60 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 Taxation

	Current quarter ended 31 December		Year-To-Date ended 31 December	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax				
- Current year	185,000	804,777	911,000	1,874,777
- Prior year	-	-	363,493	859,441
	<u>185,000</u>	<u>804,777</u>	<u>1,274,493</u>	<u>2,734,218</u>
Deferred tax				
Origination and reversal of temporary differences	301,000	(188,800)	(787,000)	(1,631,800)
- Prior year	317,800	-	317,800	-
	<u>803,800</u>	<u>615,977</u>	<u>805,293</u>	<u>1,102,418</u>

19 Unquoted investments and properties

There were no purchase or disposal of unquoted investments and properties during the current financial year 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 2018 was not qualified.

24 Profit/(Loss) before taxation

	Current quarter ended 31 December		Year-To-Date ended 31 December	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) before taxation is arrived at after charging/ (crediting):				
Amortisation of intangible assets	162,128	150,594	674,162	656,270
Depreciation of investment properties	6,649	6,649	26,596	26,596
Depreciation of property, plant and equipment	1,799,928	2,461,158	7,349,245	10,099,319
Depreciation of right of use assets	60,595	-	200,500	-
Property, plant and equipment written off	-	6,402	72,343	7,478
Reversal of impairment loss on trade receivables	(62,583)	74,738	(1,420,443)	56,718
Impairment loss on trade receivables	17,424	-	546,172	238,059
Bad debts written off	9,779	(546,915)	546,915	-
Unrealised (gain) / loss on foreign exchange	(11,392)	(34,228)	(36,614)	273,420
Realised loss / (gain) on foreign exchange	1,045	85,146	39,839	(93,341)
Gain on disposal of property, plant and equipment	(109)	(823,276)	(49,939)	(832,510)
Written off of inventories	-	14,139,248	216	185,323
Written down of inventories	14,799	36,582	84,396	120,978
Impairment loss on goodwill	468,996	-	468,996	-
Finance costs - Loan & borrowings	46,616	259,144	1,366,826	1,525,007
Finance costs - Right of use assets	5,285	-	19,124	-
Finance income	(54,362)	(119,340)	(178,498)	(200,411)

25 (Loss)/Earnings per share**(a) Basic (loss)/earnings per share**

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

	Current quarter ended 31 December		Year-To-Date ended 31 December	
	2019	2018	2019	2018
(Loss)/Profit attributable to equity holders (RM)	(553,968)	212,322	(5,112,858)	(3,960,136)
Weighted average number of ordinary shares in issue (units)	558,200,020	558,200,020	558,200,020	558,200,020
Basic (loss)/earnings per share (sen)	<u>(0.10)</u>	<u>0.04</u>	<u>(0.92)</u>	<u>(0.71)</u>

(b) Diluted (loss)/earnings per share

There are no dilutive effects to the shares during the financial year 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 28 February 2020.