

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

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

	As at 31.12.2017	As at 31.12.2016
	RM	RM
Assets		
Property, plant and equipment	38,184,326	41,425,238
Investment properties	2,247,341	2,273,936
Intangible assets	39,523,140	37,793,419
Other investment	-	500,000
Deferred tax assets	829,000	1,073,987
Total non-current assets	<u>80,783,807</u>	<u>83,066,580</u>
Inventories	1,872,968	2,350,822
Trade receivables	16,846,147	21,259,980
Unbilled revenue	5,704,719	7,559,539
Current tax assets	2,942,906	1,336,335
Prepaid project expenses	6,579,768	4,143,565
Other receivables, deposits and prepayments	2,421,725	4,515,721
Deposits, cash and bank balances	12,203,052	10,928,271
Total current assets	<u>48,571,285</u>	<u>52,094,233</u>
Total assets	<u><u>129,355,092</u></u>	<u><u>135,160,813</u></u>
Equity		
Share capital	55,820,002	55,820,002
Retained earnings	17,294,066	24,621,611
Equity attributable to owners of the Company	<u>73,114,068</u>	<u>80,441,613</u>
Non-controlling interests	(61,427)	(185,011)
Total equity	<u>73,052,641</u>	<u>80,256,602</u>
Liabilities		
Loans and borrowings	19,616,106	18,652,377
Deferred tax liabilities	3,672,000	2,599,000
Total non-current liabilities	<u>23,288,106</u>	<u>21,251,377</u>
Loans and borrowings	17,039,177	11,573,912
Trade payables	9,314,941	11,881,319
Other payables and accruals	6,660,227	10,197,603
Total current liabilities	<u>33,014,345</u>	<u>33,652,834</u>
Total liabilities	<u>56,302,451</u>	<u>54,904,211</u>
Total equity and liabilities	<u><u>129,355,092</u></u>	<u><u>135,160,813</u></u>
Net assets per share (RM)	<u>0.13</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 December 2017**

	Three Months ended 31 December		Twelve Months ended 31 December	
	2017	2016	2017	2016
	RM	RM	RM	RM
Continuing operations				
Revenue	13,443,905	19,577,730	59,961,101	74,496,547
Cost of Sales	(6,646,993)	(10,234,016)	(37,555,543)	(47,502,721)
Gross profit	<u>6,796,912</u>	<u>9,343,714</u>	<u>22,405,558</u>	<u>26,993,826</u>
Other income	140,138	328,877	390,298	1,428,540
Operating expenses	(7,678,127)	(9,551,975)	(26,513,397)	(24,321,713)
Results from operating activities	<u>(741,077)</u>	<u>120,616</u>	<u>(3,717,541)</u>	<u>4,100,653</u>
Finance costs	(670,708)	(525,278)	(1,728,653)	(891,679)
(Loss) / Profit before tax	<u>(1,411,785)</u>	<u>(404,662)</u>	<u>(5,446,194)</u>	<u>3,208,974</u>
Tax expense	(1,138,987)	(1,193,735)	(1,757,767)	(2,871,958)
Net (loss) / profit for the period	<u>(2,550,772)</u>	<u>(1,598,397)</u>	<u>(7,203,961)</u>	<u>337,016</u>
Comprehensive income for the period	<u>(2,550,772)</u>	<u>(1,598,397)</u>	<u>(7,203,961)</u>	<u>337,016</u>
(Loss) / Profit attributable to:				
Owners of the company	(2,441,088)	(1,686,146)	(7,327,545)	112,547
Non-controlling interests	(109,684)	87,749	123,584	224,469
(Loss) / Profit for the period	<u>(2,550,772)</u>	<u>(1,598,397)</u>	<u>(7,203,961)</u>	<u>337,016</u>
Comprehensive (loss) / income for the period				
Owners of the company	(2,441,088)	(1,686,146)	(7,327,545)	112,547
Non-controlling interests	(109,684)	87,749	123,584	224,469
Comprehensive (loss) / income for the period	<u>(2,550,772)</u>	<u>(1,598,397)</u>	<u>(7,203,961)</u>	<u>337,016</u>
Basic (loss) / earnings per ordinary shares (sen)				
From continuing operations	<u>(0.44)</u>	<u>(0.30)</u>	<u>(1.31)</u>	<u>0.02</u>
Diluted (loss) / earnings per ordinary shares (sen)				
From continuing operations	<u>(0.44)</u>	<u>(0.30)</u>	<u>(1.31)</u>	<u>0.02</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 December 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	-	112,547	112,547	224,469	337,016
Change in ownership interests in subsidiary	-	-	-	200,000	200,000
Dividends paid for the period	-	(1,116,400)	(1,116,400)	-	(1,116,400)
At 31 December 2016	<u>55,820,002</u>	<u>24,621,611</u>	<u>80,441,613</u>	<u>(185,011)</u>	<u>80,256,602</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	-	(7,327,545)	(7,327,545)	123,584	(7,203,961)
At 31 December 2017	<u>55,820,002</u>	<u>17,294,066</u>	<u>73,114,068</u>	<u>(61,427)</u>	<u>73,052,641</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 December 2017**

	Twelve months ended 31.12.2017	Twelve months ended 31.12.2016
	RM	RM
Cash flow from operating activities		
(Loss) / Profit before tax	(5,446,194)	3,208,974
<i>Adjustments for :</i>		
Amortisation of intangible assets	459,690	259,039
Depreciation of investment properties	26,596	152,647
Depreciation of property, plant and equipment	10,434,729	8,303,900
Finance income	(140,553)	(76,124)
Finance costs	1,728,653	891,679
Impairment of other investment	500,000	-
Impairment of inventories	224,867	-
Reversal of impairment loss on trade receivables	-	(248,298)
Impairment loss on trade receivables	929,296	2,271,698
Bad debts written off	3,347	6,060
Property, plant and equipment written off	4	236
Gain on disposal of property, plant and equipment	(1,322)	-
Unrealised loss/ (gain) on foreign exchange	229,740	(575,802)
Operating profit before changes in working capital	<u>8,948,853</u>	<u>14,194,009</u>
Change in inventories	205,448	867,447
Change in trade and other receivables	4,993,801	(3,950,358)
Change in trade and other payables	(6,333,498)	(4,130,175)
Net cash flows generated from operations	<u>7,814,604</u>	<u>6,980,923</u>
Tax refunded	51,557	-
Tax paid	(2,097,909)	(2,432,405)
Interest received	140,553	76,124
Net cash flows generated from operating activities	<u>5,908,805</u>	<u>4,624,642</u>
Cash flows from investing activities		
Issuance of share capital	-	200,000
Proceeds from disposal of property plant and equipment	2,003	-
Acquisition of intangible assets	(2,189,410)	(738,877)
Purchase of property, plant and equipment	(7,146,958)	(9,592,167)
Net cash used in investing activities	<u>(9,334,365)</u>	<u>(10,131,044)</u>
Cash flow from financing activities		
Interest paid	(1,728,653)	(891,679)
Decrease/ (Increase) in pledged deposits	244,578	(859,430)
Dividend paid	-	(1,116,400)
Increase of loans & borrowings	7,398,855	4,155,251
Net cash flows generated from financing activities	<u>5,914,780</u>	<u>1,287,742</u>
Net increase/ (decrease) in cash and cash equivalent	2,489,220	(4,218,660)
Cash and cash equivalents at 1 January	1,740,064	5,958,724
Cash and cash equivalents at 31 December	<u>4,229,284</u>	<u>1,740,064</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:

	Twelve months ended 31.12.2017	Twelve months ended 31.12.2016
Fixed deposits	5,086,806	4,328,716
Cash and bank balances	7,116,246	6,599,555
Deposits, cash and bank balances as presented in the condensed consolidated statement of financial position	<u>12,203,052</u>	<u>10,928,271</u>
Less: Pledged deposits with licensed banks	(3,780,211)	(4,024,790)
Bank overdrafts	(4,193,557)	(5,163,417)
Cash and cash equivalent as presented in the condensed consolidated statement of cash flows	<u>4,229,284</u>	<u>1,740,064</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.

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 December 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 December 2017 RM	31 December 2016 RM
Non-current		
Secured term loans from licensed banks	15,138,854	12,504,639
Unsecured finance lease liabilities	4,477,252	6,147,738
	<u>19,616,106</u>	<u>18,652,377</u>
Current	RM	RM
Secured term loans from licensed banks	3,049,895	2,666,034
Unsecured finance lease liabilities	1,930,115	3,420,135
Secured trade financing facilities	7,865,610	324,326
Secured bank overdrafts	4,193,557	5,163,417
	<u>17,039,177</u>	<u>11,573,912</u>
Total	<u>36,655,283</u>	<u>30,226,289</u>

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 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 December 2017 is as follows:-

	IT RM	ICT RM	SAT RM	ELIMINATION RM	Total RM
Total segment revenue - external	36,215,254	20,155,195	3,655,883	(65,231)	59,961,101
Gross profit	19,786,490	4,678,004	(2,057,180)	(1,756)	22,405,558
Other income	330,369	9,315	50,531	83	390,298
Other operating expenses	(17,151,558)	(4,727,661)	(3,788,994)	(845,184)	(26,513,397)
Results from operating activities	2,965,301	(40,342)	(5,795,643)	(846,857)	(3,717,541)
Finance costs					(1,728,653)
Tax expense					(1,757,767)
Net loss for the period					(7,203,961)
Segment assets	95,924,183	27,711,948	8,387,240	(73,491,007)	58,532,364
Unallocated assets					70,822,728
Total assets					129,355,092
Segment liabilities	46,864,737	34,658,317	18,868,464	(50,971,714)	49,419,804
Unallocated liabilities					6,882,647
Total liabilities					56,302,451

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.

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 2017			
Financial liabilities			
Unsecured finance lease liabilities	(6,186,170)	(6,186,170)	(6,407,367)
As at 31 December 2016			
Financial liabilities			
Unsecured finance lease liabilities	(10,256,029)	(10,256,029)	(9,567,873)

During the 12 months ended 31 December 2017, 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 fourth quarter ended 31 December 2017 (4Q17), Privasia revenue reduced to RM13.4 million versus RM19.6 million a year ago.

Revenue from the Information Technology (IT) segment decreased in 4Q17 as part of the Group's strategic decision to propel sales of the newly-launched ProcureHere. Market penetrative efforts for the new service offering resulted in lower margins.

Billings from the ICT segment were lower than a year ago due to completion of projects for the telco sector; and in comparison with the exceptionally-higher revenue in the previous corresponding quarter. The segment noted impairment of trade receivables, and write-down of inventory, which resulted in losses in the quarter.

The SAT division realigned its strategies corresponding with the overall objective of streamlining customer portfolio, which resulted in lower revenue. The segment noted reduced losses on the back of cost management and higher trade receivables impairment in prior year.

The decrease in revenue, other income and increased finance costs (for financing equipment purchases for specific projects), together with the impairment of other investment resulted in Privasia reporting wider loss before tax (LBT) and net loss of RM0.9 million and RM1.9 million respectively, compared to LBT and net loss of RM0.4 million and RM1.7 million in the previous corresponding quarter (4Q16).

Comparison with preceding quarter

4Q17 revenue of RM13.4 million was lower than 3Q17 revenue of RM15.7 million in the preceding quarter resulting from completion of telco engineering jobs and lower billings from the SAT segment. In addition, 4Q17 LBT of RM1.4 million and net loss of RM2.4 million was higher than 3Q17 LBT and net loss of RM0.8 million and RM0.8 million respectively, due to the impairment of trade receivables and other investment, finance costs and write-down of inventory.

	Current Quarter 31 December 2017 RM	Immediate Preceding Quarter 30 September 2017 RM	Changes %
Revenue	13,443,905	15,747,119	-15%
Gross profit	6,796,912	5,829,067	17%
Loss before interest and tax	(741,077)	(439,212)	-69%
Loss before tax	(1,411,785)	(894,898)	-58%
Loss after tax	(2,550,772)	(783,678)	-225%
Loss attributable to owners of the company	(2,441,088)	(836,510)	-192%

16 Future prospects

The Group remains upbeat on the prospects of the IT segment, backed by the rollout of the newly-enhanced version of ProcureHere and the ongoing sales leads from potential suppliers and customers. The Group intends to continue focusing on increasing take-up of our in-house developed IP solutions such as ProcureHere and the Port Management Solution to potentially boost margins, and reinforce the Group's reputation as a technically-competent technology developer.

In the ICT segment, Privasia intends to continue the practice of working directly with telcos and key principals to offer our service offerings. We believe that this would enable us reinforce our brand name with key industry players.

We have optimised operations in the SAT segment, as our cost management efforts have yielded positive results. We intend to increase our customer and site acquisition initiatives to enlarge our revenue contribution in the future.

We will continue to deliver on our outstanding order book of RM83 million, in addition to establishing a well-diversified revenue base to capture potential demand in the technology space.

17 Variance on Profit Forecast

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

18 Income tax expenses

	Current quarter ended 31 December		Cummulative quarter ended 31 December	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax				
- Current year	(437,000)	84,000	608,000	2,537,000
- Prior year	-	61,735	(168,220)	(161,321)
	(437,000)	145,735	439,780	2,375,679
Deferred tax				
Origination and reversal of temporary differences	1,575,987	1,048,000	1,317,987	496,279
Tax expenses from continuing operations	<u>1,138,987</u>	<u>1,193,735</u>	<u>1,757,767</u>	<u>2,871,958</u>

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

On 3 October 2017, Privasat Sdn. Bhd. (formerly known as IPSAT Sdn. Bhd.) ["PSAT"], a wholly owned subsidiary of PTB has issued a winding up notice pursuant to Section 465(e) of the Companies Act, 2016 to DMD Fone Network Sdn. Bhd. (Company No. 911210-X) ["DMD"] for the outstanding sum of RM1,182,479, interest at 5% per annum on the outstanding sum from 1 August 2016 till date of full settlement and costs of RM8,504.00 to PSAT to date.

On 7 February 2018, through its solicitors, Messrs Rastam Singa & Co, PSAT served a Winding Up Petition ("the Petition") against DMD after the Respondent failed to settle the outstanding amount.

The outstanding sum of RM1,182,479 has been fully impaired in the previous financial year.

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

	Current quarter ended		Cummulative quarter ended	
	31 December		31 December	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit for the period is arrived at after charging/ (crediting):				
Amortisation of intangible assets	91,415	(39,869)	459,690	259,039
Depreciation of investment properties	6,650	122,129	26,596	152,647
Depreciation of property, plant and equipment	2,649,261	2,790,000	10,434,729	8,303,900
Property, plant and equipment written off	2	236	4	236
Reversal of impairment loss on trade receivables	-	(105,339)	-	(248,298)
Impairment loss on trade receivables	929,296	2,271,698	929,296	2,271,698
Bad debts written off	3,347	6,060	3,347	6,060
Unrealised loss/(gain) on foreign exchange	248,878	174,036	229,740	(575,802)
Realised (gain)/loss on foreign exchange	(19,053)	(65,768)	141,586	6,101
Gain on disposal of property, plant and equipment	(530)	-	(1,322)	-
Impairment of other investment	500,000	-	500,000	-
Impairment of inventories	224,343	-	224,867	-
Finance costs	670,708	525,278	1,728,653	891,679
Finance income	(84,786)	(29,608)	(140,553)	(76,124)

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

- 1) (Gain)/loss on derivatives;

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.

	Current quarter ended		Cummulative quarter ended	
	31 December		31 December	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit attributable to equity holders (RM)	(2,441,088)	(1,686,146)	(7,327,545)	112,547
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>(0.44)</u>	<u>(0.30)</u>	<u>(1.31)</u>	<u>0.02</u>

- (b) Diluted (loss)/earnings per share

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

26 Authorisation for issue

The unaudited condensed consolidated interim financial statement were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 February 2018.