



PRESTARIANG BERHAD

[Registration No. 201001038336(922260-K)]
(Incorporated in Malaysia)

**Unaudited Interim Financial Report
For the Quarter and Year Ended 30 June 2020**

PRESTARIANG BERHAD [Registration No. 201001038336(922260-K)]
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR ENDED 30 JUNE 2020

| | Individual Quarter | | Cumulative Period | |
|---|----------------------|------------------------|--------------------------------|----------------------------------|
| | Current Year Quarter | Preceding Year Quarter | Current Year To Date 12 months | Preceding Year To Date 12 months |
| Note | 30/6/2020 RM'000 | 30/6/2019 RM'000 | 30/6/2020 RM'000 | 30/6/2019 RM'000 |
| CONTINUING OPERATIONS | | | | |
| Revenue | 63,004 | N/A | 154,640 | N/A |
| Cost of sales | (55,545) | N/A | (131,494) | N/A |
| Gross profit | 7,459 | N/A | 23,146 | N/A |
| Other income | 47 | N/A | 116 | N/A |
| Administrative expenses | 7,506 | N/A | 23,262 | N/A |
| Other expenses | (6,105) | N/A | (20,930) | N/A |
| Finance costs | (1,476) | N/A | (3,494) | N/A |
| Loss before taxation | (1,161) | N/A | (4,835) | N/A |
| Income tax expense | B5 (1,236) | N/A | (5,997) | N/A |
| | B6 (759) | N/A | (1,726) | N/A |
| Loss after taxation from continuing operations | (1,995) | N/A | (7,723) | N/A |
| DISCONTINUED OPERATIONS | | | | |
| Loss after taxation from discontinued operations | (4,388) | N/A | (9,003) | N/A |
| Loss after taxation | (6,383) | N/A | (16,726) | N/A |
| Other comprehensive expense | (143) | N/A | (693) | N/A |
| Total comprehensive expenses for the financial period | (6,526) | N/A | (17,419) | N/A |
| Loss after taxation attributable to:- | | | | |
| Owners of the Company: | | | | |
| Continuing operations | (1,861) | N/A | (7,405) | N/A |
| Discontinued operations | (4,388) | N/A | (9,003) | N/A |
| Non-controlling interest: | (6,249) | N/A | (16,408) | N/A |
| | (134) | N/A | (318) | N/A |
| | (6,383) | N/A | (16,726) | N/A |
| Total comprehensive expenses attributable to: | | | | |
| Owners of the Company: | | | | |
| Continuing operations | (2,004) | N/A | (8,098) | N/A |
| Discontinued operations | (4,388) | N/A | (9,003) | N/A |
| Non-controlling interest: | (6,392) | N/A | (17,101) | N/A |
| | (134) | N/A | (318) | N/A |
| | (6,526) | N/A | (17,419) | N/A |
| Loss Per Share attributable to owners of the Company (Sen) | | | | |
| Basic: | B12 | | | |
| Continuing operations | (0.38) | N/A | (1.53) | N/A |
| Discontinued operations | (0.90) | N/A | (1.86) | 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 comparative financial information available for the financial year ended 30 June 2020.

PRESTARIANG BERHAD [Registration No. 201001038336(922260-K)]
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

| | Note | Unaudited As at 30/6/2020 RM'000 | Audited As at 30/6/2019 RM'000 |
|---|-------------|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property and equipment | | 23,664 | 19,171 |
| Investment properties | | 28,228 | 35,089 |
| Other investment | | - | 8,427 |
| Development cost | | 43 | 54 |
| | | <u>51,935</u> | <u>62,741</u> |
| CURRENT ASSETS | | | |
| Contract costs | | 5,034 | 19,217 |
| Trade and other receivables | | 229,845 | 208,334 |
| Short-term investment | | 108 | 40 |
| Cash and bank balances | | 12,282 | 7,166 |
| Current tax assets | | 77 | 23 |
| | | <u>247,346</u> | <u>234,780</u> |
| Assets of disposal group classified as held for sale | | 5,334 | - |
| | | <u>252,680</u> | <u>234,780</u> |
| TOTAL ASSETS | | <u>304,615</u> | <u>297,521</u> |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 66,487 | 75,733 |
| Borrowings | B8 | 30,953 | 27,075 |
| Current tax liabilities | | 2,138 | 1,200 |
| Contract liabilities | | 22,864 | 19,996 |
| | | <u>122,442</u> | <u>124,004</u> |
| Liabilities of disposal group classified as held for sale | | 13,831 | - |
| | | <u>136,273</u> | <u>124,004</u> |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | B8 | 34,588 | 36,446 |
| Deferred tax liabilities | | 16,922 | 16,922 |
| | | <u>51,510</u> | <u>53,368</u> |
| TOTAL LIABILITIES | | <u>187,783</u> | <u>177,372</u> |
| NET ASSETS | | <u>116,832</u> | <u>120,149</u> |
| EQUITY | | | |
| Share capital | | 133,802 | 119,700 |
| Other reserve | | (14,166) | (14,166) |
| Fair value reserve | | - | (7,630) |
| (Accumulated losses)/Retained profits | | (14,197) | 10,534 |
| Total equity attributable to owners of the Company | | <u>105,439</u> | <u>108,438</u> |
| Non-controlling interest | | 11,393 | 11,711 |
| TOTAL EQUITY | | <u>116,832</u> | <u>120,149</u> |
| TOTAL LIABILITIES & EQUITY | | <u>304,615</u> | <u>297,521</u> |
| NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (SEN) | | 19.81 | 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 comparative financial information available for the financial year ended 30 June 2020.

PRESTARIANG BERHAD [Registration No. 201001038336(922260-K)]
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY
FOR THE QUARTER AND YEAR ENDED 30 JUNE 2020

| | ←----- Non-distributable -----→ | | | | Distributable (Accumulated Losses)/ Retained | Attributable to owners of the Company | Redeemable Convertible Preference Shares | Non- controlling Interest | Total Equity |
|--|---------------------------------|------------------------------|---------------------------------|-----------------------------|---|---|--|---------------------------------|-----------------|
| | Share Capital RM'000 | Treasury shares RM'000 | Fair Value Reserve RM'000 | Merger Deficit RM'000 | Profits RM'000 | RM'000 | RM'000 | RM'000 | 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 | - | - | - | - | (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 | - | - | - | - | (16,408) | (16,408) | - | (318) | (16,726) |
| Transaction with owners of the Company:- | | | | | | | | | |
| - Fair value changes of equity instrument | - | - | (693) | - | - | (693) | - | - | (693) |
| - Disposal of other investment | - | - | 8,323 | - | (8,323) | - | - | - | - |
| - Issuance of shares | 14,102 | - | - | - | - | 14,102 | - | - | 14,102 |
| Total transaction with owners of the Company | 14,102 | - | 7,630 | - | (8,323) | 13,409 | - | - | 13,409 |
| At 30 June 2020 | 133,802 | (3,366) | - | (10,800) | (14,197) | 105,439 | - | 11,393 | 116,832 |

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.

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PRESTARIANG BERHAD [Registration No. 201001038336(922260-K)]
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

Current
Year To Date
30/6/2020
RM'000

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|-----------------|
| Loss before taxation | |
| Continuing operations | (5,997) |
| Discontinued operations | (9,003) |
| Adjustments for: | |
| Amortisation of development cost | 11 |
| Depreciation of property and equipment | 2,565 |
| Profit income received from deposits with licensed islamic banks | (96) |
| Gain on disposal of property and equipment | (20) |
| Interest expense | 4,701 |
| Impairment of trade receivables | 3,042 |
| Operating loss before working capital changes | (4,797) |
| Working capital changes:- | |
| Changes in contract costs | 14,182 |
| Changes in trade and other receivables | (29,884) |
| Changes in contract liabilities | 2,868 |
| Changes in trade and other payables | 3,796 |
| CASH FLOW FOR OPERATING ACTIVITIES | (13,835) |
| Interest paid | (4,701) |
| Income tax paid | (54) |
| NET CASH FLOW FOR OPERATING ACTIVITIES | (18,590) |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|--------------|
| Disposal of equity interest in other investment | 7,732 |
| Proceed from disposal of property and equipment | 90 |
| Purchase of property and equipment | (267) |
| Profit income received from deposits with licensed islamic banks | 96 |
| Withdrawal of deposit | (68) |
| Placement of deposit pledged with licensed banks | (1,728) |
| NET CASH FLOW FROM INVESTING ACTIVITIES | 5,855 |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|--|---------------|
| Proceed from issuance of shares | 14,102 |
| Repayment of hire purchase obligations | (96) |
| Repayment of term loans | (2,650) |
| Proceeds from bank borrowing | 4,766 |
| NET CASH FLOW FROM FINANCING ACTIVITIES | 16,122 |

| | |
|---|--------------|
| Net increase in cash and cash equivalents | 3,387 |
| Cash and cash equivalents at beginning of the financial year | 2,950 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 6,337 |

CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL YEAR COMPRISES THE FOLLOWING:-

| | |
|--|---------|
| Cash and bank balances | 6,337 |
| Deposits with licensed banks | 5,945 |
| | 12,282 |
| Less: Deposits pledged with licensed banks | (5,945) |
| | 6,337 |

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 year ended 30 June 2020.

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 year, 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

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

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an 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.

A1. BASIS OF PREPARATION (CONT'D)

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 as 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.

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 2020 :-

| 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 quarter ended 30 June 2020 have not been affected by any seasonal or cyclical factors.

A5. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENT

There were no material unusual items or events affecting the assets, liabilities, equity, net income or cash flow during the current financial quarter ended 30 June 2020.

A6. CHANGES IN ESTIMATES

There were 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

Other than as disclosed under **Note [B7(1)]**, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter.

A8. VALUATION OF PROPERTY AND EQUIPMENT

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

A9. CAPITAL COMMITMENT

There was no material capital commitment for the quarter ended 30 June 2020.

A10. DIVIDENDS PAID

There was no dividend paid during the current financial quarter.

A11. SEGMENTAL INFORMATION

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

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

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A11. SEGMENTAL INFORMATION (CONT'D)

| RESULTS FOR 3 MONTHS ENDED 30 JUNE 2020 (UNAUDITED) | | | | | | |
|--|--|-----------------------------|---|------------------------------|--------------------------|-------------------------|
| | Software & Services and Talent RM'000 | Education RM'000 | Employment Services RM'000 | Concession RM'000 | Others RM'000 | Total RM'000 |
| <u>Continuing Operations</u> | | | | | | |
| Revenue | | | | | | |
| External revenue | 62,770 | - | 234 | - | - | 63,004 |
| Inter-segment revenue | - | - | - | - | 1,000 | 1,000 |
| Segment revenue | 62,770 | - | 234 | - | 1,000 | 64,004 |
| Consolidation adjustments | | | | | | (1,000) |
| Consolidated revenue | | | | | | 63,004 |
| Results | | | | | | |
| Segment (loss)/profit before interest and taxation | 3,179 | - | (176) | (717) | (1,918) | 368 |
| Finance costs | | | | | | (1,161) |
| Consolidation adjustments | | | | | | (443) |
| Consolidated loss before taxation | | | | | | (1,236) |
| <u>Discontinued Operations</u> | | | | | | |
| Segment loss before interest and taxation | - | (4,831) | - | - | - | (4,831) |
| Consolidation adjustments before interest and taxation | - | (4,831) | - | - | - | 443 (4,388) |
| Total (loss)/profit before interest and taxation | 3,179 | (4,831) | (176) | (717) | (1,918) | (4,463) |
| Finance costs | | | | | | (1,161) |
| Consolidation adjustments | | | | | | - |
| Total Loss Before Taxation | | | | | | (5,624) |

PRESTARIANG BERHAD [Registration No. 201001038336(922260-K)]
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 30 JUNE 2020

A11. SEGMENTAL INFORMATION (CONT'D)

| RESULTS FOR 12 MONTHS ENDED 30 JUNE 2020 (UNAUDITED) | | | | | | |
|---|--|-----------------------------|---|------------------------------|--------------------------|-------------------------|
| | Software & Services and Talent RM'000 | Education RM'000 | Employment Services RM'000 | Concession RM'000 | Others RM'000 | Total RM'000 |
| Revenue | | | | | | |
| External revenue | 150,200 | - | 4,440 | - | - | 154,640 |
| Inter-segment revenue | - | - | - | - | 1,000 | 1,000 |
| Segment revenue | 150,200 | - | 4,440 | - | 1,000 | 155,640 |
| Consolidation adjustments | | | | | | (1,000) |
| Consolidated revenue | | | | | | 154,640 |
| Results | | | | | | |
| Segment (loss)/profit before interest and taxation | 9,117 | - | (58) | (1,516) | (7,869) | (326) |
| Finance costs | | | | | | (4,835) |
| Consolidation adjustments | | | | | | (836) |
| Consolidated loss before taxation | | | | | | (5,997) |
| <u>Discontinued Operations</u> | | | | | | |
| Segment loss before interest and taxation | - | (9,839) | - | - | - | (9,839) |
| Consolidation adjustments | - | - | - | - | - | 836 |
| | - | (9,839) | - | - | - | (9,003) |
| Total (loss)/profit before interest and taxation | 9,117 | (9,839) | (58) | (1,516) | (7,869) | (10,165) |
| Finance costs | | | | | | (4,835) |
| Consolidation adjustments | | | | | | - |
| Total Loss Before Taxation | | | | | | (15,000) |

A12. MATERIAL EVENTS SUBSEQUENT TO THE END OF INTERIM QUARTER

Other than as disclosed under **Note [B7(3)]**, there were no items, transactions or events of a material and unusual nature that have arisen since 30 June 2020 to the date of this announcement which would substantially affect the financial results of the Group for the current financial quarter that have not been reflected in the condensed financial statements.

A13. CHANGES IN COMPOSITION OF THE GROUP

In the opinion of the Board of Directors, other than as disclosed under **Note [B7(2)]**, 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 year were as follow:-

| | <u>RM'000</u> |
|---|----------------------|
| - Performance guarantee extended by a subsidiary to third party | 13,750 |
| - 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>50,841</u> |

A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 30 JUNE 2020

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 | | | | CUMULATIVE QUARTER | | | | |
|---|---|--|------------|------------|---|---|------------|------------|------------|
| | Current Quarter 30/6/2020 RM'000 | Preceding Year Quarter 30/6/2019 RM'000 | Variance | | 12 MONTHS Current Year to Date 30/6/2020 RM'000 | 12 MONTHS Preceding Year to Date 30/6/2019 RM'000 | Variance | | |
| | | | RM'000 | (%) | | | RM'000 | (%) | |
| <u>Segmental Revenue:</u> | | | | | | | | | |
| <u>Continuing Operations</u> | | | | | | | | | |
| Software & Services and Talent | | | | | | | | | |
| - Software & Services | 62,303 | N/A | n/a | n/a | 147,053 | N/A | n/a | n/a | n/a |
| - Talent | 467 | N/A | n/a | n/a | 3,147 | N/A | n/a | n/a | n/a |
| | 62,770 | N/A | n/a | n/a | 150,200 | N/A | n/a | n/a | n/a |
| Education | - | N/A | n/a | n/a | - | N/A | n/a | n/a | n/a |
| Employment services | 234 | N/A | n/a | n/a | 4,440 | N/A | n/a | n/a | n/a |
| Concession | - | N/A | n/a | n/a | - | N/A | n/a | n/a | n/a |
| Others | 1,000 | N/A | n/a | n/a | 1,000 | N/A | n/a | n/a | n/a |
| | 64,004 | N/A | n/a | n/a | 155,640 | N/A | n/a | n/a | n/a |
| Inter-segment Elimination | (1,000) | N/A | | | (1,000) | N/A | | | |
| Group | 63,004 | N/A | n/a | n/a | 154,640 | N/A | n/a | n/a | n/a |
| <u>(Loss)/Profit Before Taxation</u> | | | | | | | | | |
| Software & Services and Talent | 2,018 | N/A | n/a | n/a | 4,282 | N/A | n/a | n/a | n/a |
| Education | - | N/A | n/a | n/a | - | N/A | n/a | n/a | n/a |
| Employment Services | (176) | N/A | n/a | n/a | (58) | N/A | n/a | n/a | n/a |
| Concession | (717) | N/A | n/a | n/a | (1,516) | N/A | n/a | n/a | n/a |
| Others | (1,918) | N/A | n/a | n/a | (7,869) | N/A | n/a | n/a | n/a |
| | (793) | N/A | n/a | n/a | (5,161) | N/A | n/a | n/a | n/a |
| Inter-segment Elimination | (443) | N/A | | | (836) | N/A | | | |
| | (1,236) | N/A | n/a | n/a | (5,997) | N/A | n/a | n/a | n/a |
| <u>Discontinued Operations</u> | | | | | | | | | |
| Education | (4,831) | N/A | n/a | n/a | (9,839) | N/A | n/a | n/a | n/a |
| Inter-segment Elimination | 443 | N/A | n/a | | 836 | N/A | n/a | | |
| | (4,388) | N/A | n/a | | (9,003) | N/A | n/a | | |
| Group | (5,624) | N/A | n/a | n/a | (15,000) | N/A | n/a | n/a | n/a |

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

| | Current Quarter 30/6/2020 RM'000 | Immediate Preceding Quarter 31/3/2020 RM'000 | Variance RM'000 | (%) |
|---|---|--|--------------------|------|
| <u>Segmental Revenue:</u> | | | | |
| <u>Continuing Operations</u> | | | | |
| Software & Services and Talent | | | | |
| - Software & Services | 62,303 | 23,745 | 38,558 | 162% |
| - Talent | 467 | 323 | 144 | 45% |
| | 62,770 | 24,068 | 38,702 | 161% |
| Employment services | 234 | 1,107 | (873) | -79% |
| Concession | - | - | - | n/a |
| Others | 1,000 | - | 1,000 | n/a |
| | 64,004 | 25,175 | 38,829 | 154% |
| Inter-segment Elimination | (1,000) | - | | |
| Group | 63,004 | 25,175 | 37,829 | 150% |
| <u>(Loss)/Profit Before Taxation</u> | | | | |
| Software & Services and Talent | 2,018 | 778 | 1,240 | 159% |
| Employment services | (176) | (164) | (12) | 7% |
| Concession | (717) | (582) | (135) | 23% |
| Others | (1,918) | (1,664) | (254) | 15% |
| | (793) | (1,632) | 839 | -51% |
| Inter-segment Elimination | (443) | - | | |
| | (1,236) | (1,632) | 396 | -24% |
| <u>Discontinued Operations</u> | | | | |
| Education | (4,831) | (1,376) | (3,455) | 251% |
| Inter-segment Elimination | 443 | - | | |
| | (4,388) | (1,376) | - | - |
| Group | (5,624) | (3,008) | (2,616) | 87% |

The Group's revenue for the current quarter is RM63.0 million, which was 2.5 times higher than the preceding quarter of RM25.2 million. This is driven by surge in revenue for the software component in the Software & Services and Talent segment. The EBIT for this segment for the financial year ended 30 June 2020 was RM9.1 million as shown in **Note [A11]**. This segment remains profitable and will underpin our future growth

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS (CONT'D)

The Group recorded loss before tax of RM5.6 million or 87% more than preceding quarter of RM3.0 million mainly due to higher loss from the Education segment during the quarter. Factors affecting the results for this quarter are as follows:

- i. Software & Services and Talent recorded revenue of RM62.8 million, which was a growth of RM38.7 million or 161% from the previous quarter of RM24.1 million. The significant increase was achieved as customers' orders, which were delayed during the MCO started to flow again following the transition to the Recovery MCO in early May which allowed most business activities to resume. The full effect of surge following the delay in placing orders was seen in the last few weeks in June, which in turn manifests itself in increased trade debtors as at 30th June 2020. The improved working capital position of the group that was helped by both the RM5.4 million proceeds from the disposal of our investment in Open Learning Ltd and RM14.2 million gross cash proceeds from the private placement enabled us to meet this surge in demand and procure the necessary products and services from our principals and service providers and book the resulting sales for the quarter

This segment's profit before interest and tax was higher at RM3.2 million as compared to RM2.0 million for the preceding quarter due to the increased revenue. Profit margin was however lower for the quarter ended 30 June 2020 as compared to the preceding quarter due to a combination of factors including a large order from a customer in the education sector which carries lower profit margin and higher sales of devices which typically yields lower profit margin. During the quarter, the Group also experienced significant postponement of training activities as a result of the onset of COVID 19. These activities typically yield much higher profit margins and their absence has contributed to the margin erosion in this segment despite the increased revenue from software sales. We have been actively engaging with clients to transition to E-learning solutions, Virtual Instructor Lead Trainings ("VILT") and Blended Learning to overcome this challenge which has been gaining traction.

- ii. Employment services recorded much lower revenue of RM0.2 million compared to RM1.1 million in the previous quarter. This is primarily linked to the winding down of its project in Pengerang as the project reaches its completion. The segment recorded a loss before interest and tax of RM176,000 compared to a loss before interest and tax of RM163,000 in the previous quarter.
- iii. The Concession segment has ceased operation in January 2019 and has stopped incurring operational cost since the end of the financial period ended 30 June 2019. Following which cost attributable to this segment is primarily for legal cost relating to the claim against The Government of Malaysia ("GOM") as well as statutory and compliance cost.
- iv. Others recorded a revenue of RM1.0 million from the holding company charging subsidiaries management fees for Group shared services cost. However, this segment's loss before interest and tax has increased by 15% to RM1.9 million in this quarter as compared to the previous quarter loss before interest and tax of RM1.7 million. The increase in cost for this quarter mainly relates to higher professional and legal fees incurred in respect of corporate proposals and intercompany charges.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS (CONT'D)

- v. During the financial year under review the Company entered into a conditional Shares Sale Agreement with Serba Dinamik Group Berhad for the disposal of the entire equity interest of Prestariang Education Sdn Bhd ("PESB") on 25th February 2020. We have therefore reclassified it as Asset Held for Sale. Pending completion of the transaction, the net operating results of PESB for the financial year ended 30 June 2020 will be shown as arising from Discontinued Operations as shown in **Note [A11]**. The higher loss recorded by this segment was mainly due to provisions for doubtful debt recognized in this quarter arising from long-outstanding student fees.

B3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 30 JUNE 2021

The Group results for the year ended 30 June 2020 has been significantly weighed down by the loss of PESB which made up 54% of the Group loss after tax. PESB is in the midst of being disposed and as such will not be expected to affect future results of the Group after its targeted completion in the last quarter of 2020.

The Software & Services and Talent business segment continues to be profitable with profit before interest and tax of RM9.1 million for the financial year ended 30 June 2020. This segment is expected to continue to underpin the performance of our Group.

Our cashflow from operations for the year ended 30 June 2020 reversed its positive trend, ending the year at negative RM18.6 million. This can be attributed to the twin effect of increased trade debtors arising from the surge in sales in the month of June and reduction in trade payables following the improved working capital position of the Group. Nevertheless, our overall net cashflow for the year after including cashflow from operations, investing and financing activities was still positive with an increase of RM3.4 million in cash and cash equivalents at the end of the financial year. We expect our cashflow position to remain robust as our receivables have started to normalize with a significant portion being collected in July and August 2020.

The Group has embarked on a rebuilding and recovery business plan since December 2018 following the termination of the SKIN contract. This encompass a rationalisation plan that includes among others, cost cutting measures, divestment of non-core assets, and equity fund raising, to further strengthen our capital structure, improve our Group's cash flow and to increase our working capital. Some of the measures taken to reduce operating costs have been implemented, while our plan to divest assets and raise equity funds has made progress. At this juncture, our Group remains focused on the Software & Services and Talent segment which has been, and continue to remain, as the core driver for future revenue and profit growth.

As part of our Group's rationalisation plan to improve our cash flow and increase the working capital for business expansion, we had on 25 February 2020, announced the proposed disposal of the entire equity interest in PESB (which currently owns and operates UNIMY) for a cash consideration of RM2.5 million. The disposal of PESB is still in progress and is expected to be completed by the fourth quarter of 2020. In addition, we have disposed our entire equity interest in Open Learning Ltd in December 2019 and June 2020, raising total gross cash proceeds of RM7.8 million. On the other hand, other efforts to monetise our other non-core assets, such as properties, are still ongoing.

B3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 30 JUNE 2021 (CONT'D)

In relation to equity fund raising, we have completed a private placement of 10% shares which raised gross cash proceeds of RM14.20 million in June 2020. These proceeds, together with the proceeds from asset divestments mentioned above, have been mainly utilized as working capital for our Software & Services and Talent business segment where we managed to increase its revenue by 161% to RM62.8 million for the quarter ended 30 June 2020. Having implemented most of the measures as mentioned above, we are now at the tail-end of our rationalisation plan, together with the recently announced Placement and Rights Issue, we will be on a more stable footing to launch our growth plan.

To prepare for our future growth plan, we have on 23rd July 2020 announced multiple proposals that include proposed private placement of 15% shares, proposed rights issue and a long-term incentive plan for directors and employees of the Group. Further details of these proposals are set out in **Note [B7(3)]**.

Moving forward, we will leverage on our experience and market knowledge to focus on growing the software & services and talent business segment including investing in services platform and software as a service to be our key growth area. With Malaysia moving towards Industrial Revolution 4.0 and push for higher business productivity solutions, cloud-based services are expected to see robust growth in the medium and long-term. Our Group is in a good position to capitalize on the task of meeting the market requirement for cloud-based services and talent management services to spearhead our business growth.

Premised on the above, our Group's prospect for the financial year ending 30 June 2021 is expected to continue to be stable and our Board is confident that our outlook will remain positive.

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:

| | Individual Quarter | | Cumulative Quarter | |
|-------------------------------|-------------------------|---------------------------|---|---|
| | Current Year Quarter | Preceding Year Quarter | 12 months Current Year To Date | 12 months Preceding Year To Date |
| | 30/6/2020 RM'000 | 30/6/2019 RM'000 | 30/6/2020 RM'000 | 30/6/2019 RM'000 |
| Interest expense | 1,161 | N/A | 4,835 | N/A |
| Depreciation and amortisation | 751 | N/A | 2,576 | N/A |
| Foreign exchange loss | 390 | N/A | 452 | N/A |

B6. INCOME TAX EXPENSE

| | Individual Quarter | | Cumulative Quarter | |
|---------------------------------|--|---|---|---|
| | Current Quarter 30/6/2020 RM'000 | Preceding Year Quarter 30/6/2019 RM'000 | 12 months Current Year To Date 30/6/2020 RM'000 | 12 months Preceding Year To Date 30/6/2019 RM'000 |
| Malaysia tax: | | | | |
| - for the current year | 759 | N/A | 1,728 | N/A |
| - Under provision in prior year | - | N/A | (2) | N/A |
| Deferred tax: | | | | |
| - Deferred tax liabilities | - | N/A | - | N/A |
| - Reversal Deferred tax assets | - | N/A | - | N/A |
| | 759 | N/A | 1,726 | 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 comparative financial information available for the financial period ended 30 June 2020.

The Group consolidated results reported tax expense despite the Group having consolidated loss before taxation for the quarter and year. This is because the income tax expense is computed based on the respective company's results separately. Certain companies within the Group reported profits before tax and therefore were taxable.

B7. STATUS OF CORPORATE PROPOSALS

The Company is in the process of implementing the following proposals that form part of the Group's rationalisation plan:

1. Proposed private placement of shares

The Company had announced on 21 January 2020 that it proposed to undertake a private placement of up to 48,230,100 new ordinary shares in the Company, representing not more than 10% of the total number of issued shares of the Company, to investors to be identified later and at an issue price to be determined by the Board and announced later ("Private Placement of 10% Shares"). Following this, on 20 February 2020, the Company announced that it has obtained the approval of Bursa Malaysia for the proposal. The approval of Bursa Malaysia is valid up to 20 August 2020, i.e 6 months from the approval date.

On 23 June 2020, the Company has announced that the Private Placement of 10% Shares was completed following the listing of 48,230,100 Placement Shares on the Main Market of Bursa Malaysia Securities Berhad. The Private Placement of 10% Shares were issued at a price of RM0.296 per share which was based on the volume weighted average market price of the Company's shares for the 5 market days preceding the price fixing date of 15 June 2020, and had raised a gross cash proceeds of RM14.2 million.

B7. STATUS OF CORPORATE PROPOSALS (CONT'D)

The status of utilisation of the Private Placement proceeds as at 30 June 2020 is as follows:

| Description | Estimated timeframe for utilisation upon listing | Proposed utilisation (RM'000) | Actual utilisation (RM'000) | Deviation | | Note |
|---|--|----------------------------------|--------------------------------|------------|-----|----------|
| | | | | (RM'000) | (%) | |
| Working capital | Within 12 months | 7,646 | 7,646 | - | - | |
| Repayment of bank borrowings | Within 12 months | 6,000 | 6,000 | - | - | |
| Defrayment of expenses related to the private placement | Within 1 month | 630 | 247 | 383 | 61% | 1 |
| Total Gross Proceed | | 14,276 | 13,893 | 383 | | |

Note:-

- 1 The expenses related to the Private Placement of 10% Shares which includes payment of fees to the relevant authorities, advisory and placement fees. The excess amount of RM383,000 after defrayment of expenses related to the private placement will be utilised for working capital.
2. Proposed disposal of the entire equity interest in Prestariang Education Sdn Bhd

The Company had announced on 25 February 2020 that it had entered into a conditional Shares Sale Agreement (SSA) with Serba Dinamik Group Berhad ("SDGB") for the proposed disposal of 20,000,000 ordinary shares, representing 100% equity interest held in Prestariang Education Sdn Bhd ("PESB") to SDGB for a cash consideration of RM2,500,000 ("Proposed Disposal"). The SSA is conditional upon the approval of the Ministry of Education ("MOE"), in respect of the change in ownership of PESB, being obtained within 90 days of the date of the SSA. The period to obtain the approval of the MOE is extendable for a further period of 90 days and from thereon, maybe further extended by mutual agreement of the parties.

The Company expects some delay in getting the approval of the MOE in view of the MCO where the relevant government department could not receive and process the application for approval. Nevertheless, application for approval has since been submitted to MOE. In view of the MCO, the parties have agreed to extend the period for the fulfilment of the conditions precedent of the SSA to 4 November 2020. Barring unforeseen circumstances, the Company estimates that the Proposed Disposal will still be completed within the period provided by the SSA.

B7. STATUS OF CORPORATE PROPOSALS (CONT'D)

3. Proposed multi proposals

On 23 July 2020, the Company via its financial adviser UOB Kay Hian Securities (M) Sdn Bhd ("UOBKH"), announced that we proposed to undertake the following:-

- i. Proposed private placement of 79,579,740 ordinary shares in the Company, at an issue price of RM0.350 per share together with 79,579,740 warrants on the basis of 1 warrant for every 1 placement share issued;
- ii. a renounceable rights issue of up to 176,843,866 new ordinary shares in the Company at an issue price of RM 0.200 per Rights Share, on the basis of 1 rights share for every 3 existing shares held, together with up to 176,843,866 warrants on the basis of 1 warrant for every 1 rights share subscribed for; and
- iii. the establishment of a long term incentive plan ("LTIP"), which comprises the proposed employees share option scheme and the proposed share grant plan to eligible directors and employees of the Group, of up to 15% of the issued share capital of our Company (excluding treasury shares, if any) at any point in time during the tenure of the LTIP.

On 19 August 2020, UOBKH had, on behalf of our Company, announced that Bursa Securities had vide its letter dated 19 August 2020, resolved to approve the proposals, subject to the conditions set-out below.

The approval granted by Bursa Securities for the Proposed LTIP is subject to the following:-

- i. UOBKH is required to submit a confirmation to Bursa Securities of full compliance of the Proposed LTIP pursuant to paragraph 6.43(1) of the Main Market Listing Requirements ("Listing Requirements") and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting; and
- ii. Prestariang is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the Proposed LTIP as at the end of each quarter together with a detailed computation of listing fees payable.

The approval granted by Bursa Securities for the Proposed Private Placement with Warrants and Proposed Rights Issue with Warrants are subject to the following conditions:-

- i. Prestariang and UOBKH must comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement with Warrants and Proposed Rights Issue with Warrants;
- ii. Prestariang and UOBKH to inform Bursa Securities upon the completion of the Proposed Private Placement with Warrants and Proposed Rights Issue with Warrants;

B7. STATUS OF CORPORATE PROPOSALS (CONT'D)

- iii. Prestariang to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement with Warrants and Proposed Rights Issue with Warrants are completed;

Prestariang to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.

The Company will seek the approval of the shareholders of the Company for the above proposals at the forthcoming extraordinary general meeting of the Company to be held on 15 September 2020.

B8. BORROWINGS

The Group's borrowing and debts securities as at 30 June 2020 are as follows:

| | Long term borrowing | | | Short term borrowing | | | Total (RM'000) |
|--------------------------------|---------------------|-----------|---------------|----------------------|-----------|---------------|-------------------|
| | Secured | Unsecured | Total | Secured | Unsecured | Total | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| <u>Borrowings</u> | | | | | | | |
| - Bank overdraft | - | - | - | 1,531 | - | 1,531 | 1,531 |
| - Term Loan | 24,436 | - | 24,436 | 2,500 | - | 2,500 | 26,936 |
| - Revolving Credit | - | - | - | 26,922 | - | 26,922 | 26,922 |
| <u>Debts securities</u> | | | | | | | |
| - RSLs | 10,000 | - | 10,000 | - | - | - | 10,000 |
| - RPS "A" | 152 | - | 152 | - | - | - | 152 |
| Total | 34,588 | - | 34,588 | 30,953 | - | 30,953 | 65,541 |

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.

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 Prestariang SKIN Sdn. Bhd ("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 point 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.

B9. MATERIAL LITIGATION (CONT'D)

GOM appealed against the High Court Judge's decision dismissing its application. On 10 June 2020, the Court of Appeal found that there was no merit to GOM's appeal and awarded costs PSKIN. In dismissing GOM's appeal, the Court of Appeal held that GOM would not suffer any prejudice with PSKIN's action continuing by way of OS in light of the directions given by the High Court Judge to allow for the cross-examination of the various deponents as well as for expert evidence to be tendered.

On 23 July 2020, PSKIN's Originating Summons ("OS") has been transferred to a new High Court Judge and the hearing of PSKIN's OS and cross-examination of the deponents of affidavits has been fixed for 21 January 2021, 22 January 2021, 29 January 2021 and 26 February 2021. A case management has also been fixed for 30 November 2020.

The Group remains positive on the compensation amount based on the formula stipulated under the Concession Agreement. Based on the above, the management is confident that there is no impairment necessary for 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.

PSKIN had on 24 August 2020 made an application, pursuant to section 366 of the Companies Act 2016 (the "Act"), for a proposed scheme of arrangement between PSKIN and its scheme creditors. This scheme will be put forward to the creditors at court convened meetings.

The purpose of the application is to preserve the going concern of PSKIN while it carries on with negotiations and legal action to seek compensation from GOM for the termination of SKIN. The application, if granted, is not expected to have any material impact on the financial and operational matters of the Company and its subsidiaries.

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 June 2020.

B12. LOSS PER SHARE

| | <u>Individual Quarter</u> | | <u>Cumulative Quarter</u> | |
|--|---|---|---|---|
| | Current Year Quarter 30/6/2020 | Preceding Year Quarter 30/6/2019 | 12 months Current Year To Date 30/6/2020 | 12 months Preceding Year To Date 30/6/2019 |
| Loss after taxation attributable to owners of the Company (RM'000) | (6,249) | N/A | (16,408) | N/A |
| Weighted average number of ordinary shares in issue ('000) | 488,248 | 484,000 | 485,059 | 484,000 |
| Basic loss per share (sen): | | | | |
| -Continuing operations | (0.38) | N/A | (1.53) | N/A |
| -Discontinued operations | (0.90) | N/A | (1.86) | N/A |

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") the 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 of the Annual Audited Financial Report for the period ended 30 June 2019, 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.

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

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. With regard to the material uncertainty to going concern highlighted in the Independent Auditors' Report due to the termination of the SKIN project, the Group has taken legal action to obtain compensation for the termination. Further details of the status of this action is set out in Note B9.
2. The Group's negative operating cashflow of RM72.3 million 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 cashflow from operation had been trending positively as can be seen from the cashflow from operation recorded in the 9 months period ended 31 March 2020 of RM10.1 million. For the 12 months period ended 30 June 2020 however, our cashflow from operation turned to negative RM18.6 million. We see this shift to negative cashflow as temporary and attributable to two main reasons. Firstly, due to increase in trade receivables not only due to the surge in demand in the last few weeks of June, but also delays in processing of invoices by our clients following the lockdown during the MCO. The second reason for the negative operating cashflow arises from the cash used to pay principals and service providers to secure the supply of software and services to meet the surge in orders. This has allowed us to generate significantly more revenue for software and services in June 2020 amounting to RM56.9 million. A significant amount of the receivables from this revenue has been collected post 30 June 2020. Overall, the cashflow for the year ended 30 June 2020 was still positive with a net increase in cash and cash equivalent of RM3.4 million.

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

In addition, the Group has implemented a rationalisation plan for its businesses to improve its cash flow and increase working capital for further business expansion. Amongst its action plans are divestment of assets, cost cutting measures, equity fund raising and others. This include the completed Private Placement of 10% Shares in June 2020 which raised gross cash proceeds of RM14.2 million. The Company has proposed further fund raising via proposed private placement of 15% shares and proposed rights issue of shares and disposal of the Group's education unit PESB, status of which are set out in **Note [B7]** above.

In view of the above, the Group's working capital and cashflow position has improved significantly and is expected to be even stronger with the expected completion of the proposed fund-raising exercises.

3. 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.

Premised on the above, progress is being made by the Group to address the Independent Auditor's Report for the previous financial period ended 30 June 2019 in respect of material uncertainty related to going concern of the Group.

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.

| 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. 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 | |
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| 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 | |
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| 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; |

B14. KEY AUDIT ISSUES (CONT'D)

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| <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 August 2020.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN (SSM PC No. 201908002648) (MAICSA 0777689)

LIM LIH CHAU (SSM PC No. 201908001454) (LS 0010105)

Secretaries

Kuala Lumpur

27 August 2020