

# MSWG QUESTIONS & ANSWERS

OPERATIONAL & FINANCIAL MATTERS



# MSWG QUESTION 1.A

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*The Group experienced a significant improvement in its operational performance, transitioning from an operating loss of RM1.9 million in FY21 to achieving an operating profit of RM1.0 million in FY22 (page 10 of Annual Report (AR) 2022).*

a) What specific strategies or actions did the Group undertake to reverse the operating losses and achieve profitability?

We have implemented several key initiatives that have significantly impacted our financial performance and positioned us on a path to sustainable growth. Firstly, we **reviewed our operational expenses and identified areas where we could streamline costs while maintaining the quality of our products or services.**

By **implementing efficient cost management practices**, we were able to **reduce overhead expenses**. In addition to that, we emphasised on **enhancing operational efficiency**. This included leveraging on technology to automate manual tasks. By streamlining operations and eliminating inefficiencies, we were able to reduce costs, improve productivity, and deliver our services more effectively.

Our investment in pivoting to digitalisation has been a successful strategic win which has enabled the Group to achieve better results in terms of performance for the year. Our success is further visible with the securement of a large contract during the year.

# MSWG QUESTION 1.B

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*The Group experienced a significant improvement in its operational performance, transitioning from an operating loss of RM1.9 million in FY21 to achieving an operating profit of RM1.0 million in FY22 (page 10 of Annual Report (AR) 2022).*

*b) How sustainable are the factors that led to the positive operating profit? Are they expected to continue in the future?*

Now that we have addressed the cost part and will continue the practice.

Our **focus has shifted towards strategic initiatives** that will **boost revenue and ensure long-term profitability**. The most indicative sustainable factor is project POP2. We expect to see good margin from the project at least until the implementation stage is completed in 3 years.

## MSWG QUESTION 2.A



*The success of PROCUREHERE is apparent as its total user count, consisting of customers and suppliers across the nation, currently stands at 28,577 from 23,044 in 2021 which represents a 24% year-on-year increase. With a monthly average event of 4,134 and an approximate value of RM9.2 billion, by its customers showcase its reliability and efficiency (page 28 of AR 2022).*

*a) What sets PROCUREHERE apart from other similar software and IT service providers in the market? What is the current market share of PROCUREHERE in the enterprise software and IT services sector?*

PROCUREHERE is a SaaS based E-Procurement platform with competitive subscription price. ***Our subscribers enjoy the benefit of one price subscription for all module access, which is different from what other platform is offering.***

We believe in making procurement accessible to our subscribers, without having to worry about additional infrastructure investment or security features. As PROCUREHERE is quite niche software catering to procurement professionals and suppliers, our market audience focus more on Malaysia corporate entities who requires procurement system to digitalise their manual process.

We started with ***2 customer back in 2019, and now we have grown to serve 17 active customers*** with large pool of subscribers, of multiple industries in the country. This represents less than 1% of market share, with more opportunities in the market for us to penetrate.

## MSWG QUESTION 2.B

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*The success of PROCUREHERE is apparent as its total user count, consisting of customers and suppliers across the nation, currently stands at 28,577 from 23,044 in 2021 which represents a 24% year-on-year increase. With a monthly average event of 4,134 and an approximate value of RM9.2 billion, by its customers showcase its reliability and efficiency (page 28 of AR 2022).*

*b) How does PROCUREHERE generate revenue? Is it through subscription fees, transaction fees, or other sources? What is the pricing model for PROCUREHERE's services?*

PROCUREHERE charges are based on **yearly subscription fee**. We charge a standard fee for one user license.

With every license subscribed, our client will get a complimentary Approver User license. Furthermore, **one time project implementation fee is charged during the project initiation stage**.

# MSWG QUESTIONS 3.A & 3.B



***Since inception last year, FINANSHERE aims to facilitate a more optimised working capital management by collaborating with various pools of funds to assist funding PROCUREHERE's registered users and vendors (page 28 of AR 2022).***

*a) What has been the take-up rate of FINANSHERE among PROCUREHERE's registered users and vendors since its inception?*

*b) Can you provide insights into the typical timeline and process involved in accessing funds through FINANSHERE? How quickly can users and vendors receive the required funding?*

- (a) The take up is still at its infancy stage, and we expect it to grow in the next few years.
- (b) A typical user experience is:
  - i. KYC process, approval and platform registration takes 2 to 3 working days or more depending on the speed of documents made available.
  - ii. Signing of Agreements takes 2 to 3 working days or more depending on clarifications involved.
  - iii. Approval of Purchase Orders and Invoices uploaded on the platform takes 1-2 working days or more depending on how fast the Buyer verifies.
  - iv. Upon approval of invoice, disbursement is typically done within 48 hours.

# MSWG QUESTION 4



***The PRIVASIA team developed i-TAP as an end-to-end Multi-Cargo Terminal Operating System through its subsidiary, PRIVAPORTS Sdn Bhd.***

***The i-TAP system utilises a fully modular cloud based solution suitable for multi-cargo terminals of different sizes. The solution includes features that include robotics and AI to help terminals achieve digitalisation and automation goals (page 28 of AR 2022).***

*How does PRIVASIA handle the potential risk of AI malfunction or errors leading to incorrect decision-making or operational disruptions?*

i-TAP is a terminal operating system that deals with the flow of cargo through different areas in a port. From document processing for cargo permit approvals to manless gate entry and exit, i-TAP is not just one system but a ***combination of different systems and integration into port equipment to create a seamless ecosystem*** for cargo flow in and out of a port, which works using Robotic Process Automation (RPA) and Artificial Intelligence (AI).

We understand that AI is still in its infancy stage and there is no 100% risk free solution. We take great pains in identifying the potential pitfalls enterprise wide, and mitigate them as much as possible. Potential risks include data difficulties, technology struggles, security issues, interaction issues and the AI models itself. ***Being very clear about the most prevailing risks allows us to then introduce controls and to marshal time and resources accordingly to address these.***

Also, our utilisation of AI at this point (since it is still new) is not for anything that could 'blow up,' like self-driving cars. It is more for predicting and processing which in many cases also still has a human verifying at some point (at least until we are very sure of the accuracy of the tool).

# MSWG QUESTIONS 5.A & 5.B



***PRIVASIA's ICT segment offers wireless broadband and mobile coverage infrastructure, with positive turnaround post-pandemic. New contracts secured in 2022 include 5G infrastructure implementation and supporting network facilities providers. Consultancy projects for 5G are being pursued in 2023 (page 28 of AR 2022).***

*a) Please provide details about PRIVASIA's contract for implementing Malaysia's 5G network, including the contract value and timeline of the project completion. What are the projected revenue and profitability from these contracts?*

*b) Has there been any adjustment to the contract due to Malaysia's transition plan to Dual 5G Networks in 2024 after achieving 80% population coverage under DNB?*

(a) Under the 5G nationwide network deployment, DNB contracted one of our partner on a long term contract for Site Management Partner (SMP).

Our partner is working with us for this contract implementation. The ***Scope of SMP primarily includes project management and coordination with all the parties*** involved for 5G nationwide network deployment including their vendor, contractors accessing sites, getting local authority approvals etc.

PRIVASIA has ***setup a central support centre to support end to end project management*** under SMP requirements set by DNB.

(b) None, thus far.



# MSWG QUESTIONS 6.A, 6.B & 6.C



***The impairment loss on contract assets has increased significantly from RM0.45 million in FY2021 to RM1.07 million in FY2022 (page 70 of AR 2022).***

a) Which contract assets have the impairment losses?

b) What were the reasons for the high impairment losses in FY2022?

c) What are the measures taken by the Company to ensure that the impairment losses on contract assets do not increase further?

- (a) A Radio Frequency Engineering (RF) contract.
- (b) It is primarily related to the RF contract. Due to the nature of the RF work, where its ***complex requirements for documentation and third party sign off's coupled with the large number of sites*** has caused this figure to come about. Looking at the situation and after deliberations with the relevant PIC, the management decided to impair this amount after taking into consideration the long overdue period and also to comply with accounting standards reporting requirement.

It is ***still an on-going process*** where we have identified some contracts have been completed but due to incomplete documentation and uncommunicated hand over, these job orders were not closed. We are still in the ***midst of reviewing and intend to conclude this exercise by end of this year.***

- (c) The contract assets are ***reviewed on a monthly basis*** during month end closing and ***reported to the ARMC on quarterly basis.***

# MSWG QUESTIONS 7.A & 7.B



**Write off on trade receivables of RM988,088 in FY2022 (FY2021: Nil) (page 114 of AR 2022).**

a) *What was the nature of these trade receivables that have been written off?*

b) *What actions have been taken to recover the said amount prior to writing off?*

(a) The write off was in relation to **provision of doubtful debt made in 2018**. It relates to a project with overseas customer on TV setup box and a strategic partnership for works in relation to network infrastructure project for Maxis.

(b) Provision for doubtful debt was made in 2018. **Our attempt to reach out the overseas contractor has been futile as there were no response from them in the last 5 years**, hence the management decided to write it off from the books.

Also **after seeking legal advice** it was concluded that it would not be worthwhile liquidating them due the long process and cross borders issues.

On the other hand, it has come to our knowledge that **one of the contractor has wound up**, hence it's timely to write off the debts.

# MSWG QUESTIONS 8.A & 8.B



***The Group's trade receivables that were past due more than 31 to 60 days have increased significantly from RM397,543 in FY2021 to RM2,886,013 in FY2022 (Page 134 of AR 2022)***

a) *What were the difficulties faced by the Group in the collection of the trade receivables that were past due more than 31 to 60 days as the outstanding amount has increased substantially?*

b) *Has the Group experienced slower collections of its receivables? What is the impact of the extended credit term on the cash flow of the Group?*

(a) Over the past period, we have indeed experienced challenges in collecting the outstanding amounts within the credit period.

The ***financial health of our customers plays a crucial role in their ability to fulfill their payment obligations.*** If customers experience financial distress or undergo significant changes in their business operations, it can lead to delays in settling their outstanding balances. Despite the challenges faced, the ***Group remains committed in pursuing overdue receivables and improving the collection process.***

(b) The ***extended credit terms*** granted to customers have resulted in a ***prolonged cash conversion cycle.***

# MSWG QUESTIONS & ANSWERS

CORPORATE GOVERNANCE MATTERS



# MSWG QUESTION 1.A



***PRIVASIA will seek shareholders' approval to approve the payment of directors' fees and benefits payable to the Directors of the Company up to RM444,000 and RM86,000 respectively from 1 July 2023 until the conclusion of the next AGM (Resolutions 4 and 5, page 4 of AR 2022).***

*a) Please provide a breakdown of the Directors' fees and benefits for the Executive and Non-Executive Directors.*

Please find below:

FEES	AMOUNT (RM)	BENEFITS	AMOUNT (RM)
EXECUTIVE DIRECTORS	120,000	EXECUTIVE DIRECTORS	27,000
NON-EXECUTIVE DIRECTORS	324,000	NON-EXECUTIVE DIRECTORS	59,000
<b>TOTAL</b>	<b>444,000</b>	<b>TOTAL</b>	<b>86,000</b>

# MSWG QUESTION 1.B

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***PRIVASIA will seek shareholders' approval to approve the payment of directors' fees and benefits payable to the Directors of the Company up to RM444,000 and RM86,000 respectively from 1 July 2023 until the conclusion of the next AGM (Resolutions 4 and 5, page 4 of AR 2022).***

*b) Given that Puan Haslinda Bt Hussein, an Independent Non-Executive Director has resigned on November 30, 2022, what is the rationale for proposing higher fees and benefits of RM444,000 (FY2022: RM366,000) and RM86,000 (FY2022: RM86,000) respectively for the directors?*

Prior to Pn Haslinda's resignation we have appointed Mr Yip to the board on 15 Nov 2022, who is equally calibre and experienced as Pn Haslinda. However, the ***proposal of higher fees has no association to Pn Haslinda's resignation.***

Also, it is worth noting it has been about ***5 years since any adjustment made to Directors fees and benefits.*** It is important for the Group to attract and retain experienced and qualified Directors for long-term success.

Increasing the fees ensures that the company remains ***competitive in securing the best leadership mix to support its growth and success.***