

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

Interim financial statements
for the period ended 30 June 2011

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Quarterly report on consolidated financial statements for the second quarter ended 30 June 2011

Condensed consolidated statement of comprehensive Income - unaudited

	Three Months 30 June		2nd quarter ended 30 June	
	2011	2010	2011	2010
	RM	(Restated) RM	RM	(Restated) RM
Revenue	10,044,729	5,747,365	19,597,841	11,825,770
Cost of Sales	(6,676,230)	(4,554,260)	(12,774,944)	(8,929,490)
Gross profit	<u>3,368,499</u>	<u>1,193,105</u>	<u>6,822,897</u>	<u>2,896,280</u>
Other income	164,505	89,552	225,555	177,352
Other operating expenses	(2,476,631)	(1,352,363)	(4,548,879)	(2,599,646)
Profit /(loss) from operations	<u>1,056,373</u>	<u>(69,706)</u>	<u>2,499,573</u>	<u>473,986</u>
Interest income	29,135	8,939	56,068	20,513
Finance costs	(392,117)	(271,906)	(663,412)	(630,866)
Profit / (Loss) before taxation	<u>693,391</u>	<u>(332,673)</u>	<u>1,892,229</u>	<u>(136,367)</u>
Income tax expenses	(136,000)	-	(317,000)	-
Net profit /(loss) for the period	<u>557,391</u>	<u>(332,673)</u>	<u>1,575,229</u>	<u>(136,367)</u>
Other comprehensive loss, net of tax				
Fair value of available-for-sale financial assets	(5,987)	(2,923)	(9,806)	(2,923)
Other comprehensive loss for the period, net of tax	<u>(5,987)</u>	<u>(2,923)</u>	<u>(9,806)</u>	<u>(2,923)</u>
Total comprehensive Income / (loss) for the period	<u>551,404</u>	<u>(335,596)</u>	<u>1,565,423</u>	<u>(139,290)</u>
Profit / (loss) attributable to:				
Equity holders of the parent	474,851	(346,862)	1,426,081	(185,710)
Minority interests	82,540	14,189	149,148	49,343
Net profit / (loss) for the period	<u>557,391</u>	<u>(332,673)</u>	<u>1,575,229</u>	<u>(136,367)</u>
Total comprehensive income /(loss) attributable to:				
Equity holders of the parent	468,864	(349,785)	1,416,275	(188,633)
Minority interests	82,540	14,189	149,148	49,343
Total comprehensive income / (loss) for the period	<u>551,404</u>	<u>(335,596)</u>	<u>1,565,423</u>	<u>(139,290)</u>
Earnings / (loss) per share				
Basic earnings / (loss) per share (sen)	<u>0.10</u>	<u>(0.06)</u>	<u>0.28</u>	<u>(0.02)</u>
Diluted earnings / (loss) per share (sen)	<u>0.10</u>	<u>(0.06)</u>	<u>0.28</u>	<u>(0.02)</u>

The results for the current period ended 30 June 2011 contains the six months consolidated results of the Privasia Sdn. Bhd. group of companies, Privanet Sdn. Bhd. (formerly known as Airocom Technology Sdn. Bhd.) group of companies and IPSAT Sdn. Bhd.

The condensed consolidated statement of comprehensive income should be read in conjunction with the financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Quarterly report on consolidated financial statements for the second quarter ended 30 June 2011

Condensed consolidated statement of financial position - unaudited

	Note	As at 30.06.2011 RM	As at 31.12.2010 (Restated) RM
Assets			
Property, plant and equipment		18,816,806	16,201,285
Investment property		5,625,807	5,655,353
Intangible assets		40,673,009	40,765,069
Trade and other receivable		750,000	750,000
Total non-current assets		<u>65,865,622</u>	<u>63,371,707</u>
Inventories		1,566,051	1,987,801
Work-in-progress		3,651,018	1,891,995
Tax recoverable		27,763	10,490
Available-for-sale financial assets	18	1,026,380	1,026,336
Trade and other receivable		15,595,809	15,120,918
Cash and cash equivalents		8,622,760	7,447,662
Total current assets		<u>30,489,781</u>	<u>27,485,202</u>
Total assets		<u>96,355,403</u>	<u>90,856,909</u>
Equity			
Share capital		55,820,002	55,820,002
Reserves		6,447,484	5,031,209
Total equity attributable to shareholders of the Company		<u>62,267,486</u>	<u>60,851,211</u>
Minority interest		504,537	355,390
Total equity		<u>62,772,023</u>	<u>61,206,601</u>
Liabilities			
Loans and borrowings		20,823,736	18,378,430
Deferred tax liabilities		108,000	108,000
Total non-current liabilities		<u>20,931,736</u>	<u>18,486,430</u>
Loans and borrowings		4,925,095	4,906,011
Trade and other payables		7,394,047	6,091,976
Taxation		332,502	165,891
Total current liabilities		<u>12,651,644</u>	<u>11,163,878</u>
Total liabilities		<u>33,583,380</u>	<u>29,650,308</u>
Total equity and liabilities		<u>96,355,403</u>	<u>90,856,909</u>
Net assets per share (RM)		<u>0.11</u>	<u>0.11</u>

The condensed consolidated statement of financial position should be read in conjunction with the financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Quarterly report on consolidated financial statements for the second quarter ended 30 June 2011

Condensed consolidated statement of changes in equity for the year ended 31 December 2010 - Audited

<i>(all in RM)</i>	Share capital	Fair value reserve	Retained profits	Subtotal	Minority Interest	Total equity
Balance as at 01.01.2010, as restated	55,820,002	-	(176,501)	55,643,501	204,088	55,847,589
Impact of adopting FRS 139	-	22,720	-	22,720	-	22,720
Balance as at 01.01.2010, as restated	55,820,002	22,720	(176,501)	55,666,221	204,088	55,870,309
Total comprehensive income for the year	-	2,693	5,182,297	5,184,990	151,302	5,336,292
Balance as at 31.12.2010, as restated	<u>55,820,002</u>	<u>25,413</u>	<u>5,005,796</u>	<u>60,851,211</u>	<u>355,390</u>	<u>61,206,601</u>

Condensed consolidated statement of changes in equity for the period ended 30 June 2011 - Unaudited

<i>(all in RM)</i>	Share capital	Fair value reserve	Retained profits	Subtotal	Minority Interest	Total equity
Balance as at 01.01.2011, as restated	55,820,002	25,413	5,005,796	60,851,211	355,390	61,206,601
Total comprehensive income for the period	-	(9,806)	1,426,081	1,416,275	149,147	1,565,422
Balance as at 30.06.2011	<u>55,820,002</u>	<u>15,607</u>	<u>6,431,877</u>	<u>62,267,486</u>	<u>504,537</u>	<u>62,772,023</u>

The condensed consolidated changes in equity should be read in conjunction with the financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Quarterly report on consolidated financial statements for the second quarter ended 30 June 2011

Condensed consolidated statement of cash flows for the period ended 30 June 2011 - Unaudited

Note	Six months ended 30.06.2011 RM	Six months ended 30.06.2010 (Restated) RM
Cash flow from operating activities		
Profit before taxation	1,892,229	(136,367)
<i>Adjustment for :</i>		
Amortisation of development costs	1,057,160	1,312,673
Amortisation of intangible assets	276,286	141,142
Depreciation of investment property	29,546	29,548
Depreciation of property, plant and equipment	2,317,134	2,010,567
Interest Income	(56,068)	(20,513)
Interest expenses	663,412	630,866
Gain on disposal of property, plant and equipment	(1,184)	(9,373)
Gain on disposals of available-for-sale financial assets	-	(1,950)
Write off of development costs	-	35,285
Write off property, plant and equipment	-	5,917
Provision for doubtful debts	145,519	-
Operating profit before working capital changes	<u>6,324,034</u>	<u>3,997,795</u>
Work-in progress	(1,759,023)	(742,931)
Receivables and prepayments	(620,410)	880,639
Inventories	421,750	(491,070)
Payables and accruals	1,304,883	(2,007,243)
Cash generated from operations	<u>5,671,234</u>	<u>1,637,190</u>
Tax paid	(170,474)	(30,400)
Interest received	56,068	20,513
Net cash generated from operating activities	<u>5,556,828</u>	<u>1,627,303</u>
Cash flow from investing activities		
Increase in development costs	(66,814)	(318,991)
Proceeds for disposal of property, plant and equipment	19,662	20,980
Proceeds for disposal of available-for-sale financial assets	-	1,529,700
Purchase of intangible assets	(1,174,572)	(127,431)
Purchase of property, plant and equipment	(4,951,133)	(1,180,148)
Net cash used in investing activities	<u>(6,172,857)</u>	<u>(75,890)</u>
Cash flow from financing activities		
Changes in fair value of available-for sale financial assets	(9,850)	-
Interest paid	(663,412)	(630,866)
Increase in pledged deposits	(474,914)	(508,414)
(Repayment of)/Proceeds from loans and borrowings	2,464,390	(1,926,625)
Net cash used in financing activities	<u>1,316,214</u>	<u>(3,065,905)</u>
Net increase in cash and cash equivalents	700,185	(1,514,492)
Cash and cash equivalents at beginning of the period	6,360,177	3,369,294
Cash and cash equivalent at end of the period	<u>7,060,362</u>	<u>1,854,802</u>

Cash and cash equivalent

Cash and cash equivalent included in the condensed consolidated statement of cash flows comprise the following statement of financial position amounts:

	30.06.2011	30.06.2010
Cash and bank balances	3,476,741	490,652
Deposits with licensed banks	5,146,019	1,872,564
	<u>8,622,760</u>	<u>2,363,216</u>
Less: Deposits pledged	(1,562,398)	(508,414)
	<u>7,060,362</u>	<u>1,854,802</u>

The condensed consolidated statement of cash flows should be read in conjunction with the financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated in Malaysia)

Quarterly report on consolidated financial statements for the second quarter ended 30 June 2011

Notes to the interim financial statements

1 Basic of preparation

The unaudited interim financial statements have been prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market and Financial Reporting Standard (FRS) 134 and should be read in conjunction with the Group's financial statements for the year ended 31 December 2010.

These notes to 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 30 June 2011.

During the financial period, the Group adopted IC Interpretation 4 – Determining whether an arrangement contains a lease ("IC 4"), which became effective for the financial year beginning 1 January 2011. Following the adoption of IC 4, management has reassessed all its business arrangements and have identified arrangements that contain leases which were not previously treated as leases. IC 4 involves a change in accounting policy and has been accounted for retrospectively in which comparatives have been restated.

The following comparative figures as at 30 June 2010 and 31 December 2010 have been adjusted to conform with the requirements of IC 4 as follows:

	31 December 2010		30 Jun 2010	
	As restated RM	As previously stated RM	As restated RM	As previously stated RM
In consolidated statement of comprehensive income :-				
Revenue	36,189,100	37,870,412	11,825,770	12,666,426
Profit before tax	5,681,823	5,192,691	(136,367)	(380,933)
In consolidated statement of financial position :-				
Intangible assets	40,765,069	47,282,783	5,742,336	13,345,272
Trade and other receivable	15,120,918	9,337,301	17,417,102	10,792,829
Reserves	5,031,209	5,765,306	167,475	640,299

The Group has not applied the following accounting standard, amendments and interpretation that have been issued by the Malaysian Accounting Standards Board (MASB) but not yet effective:

FRSs / Interpretations

	Effective date
IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement	1 July 2011
FRS 124, Related Party Disclosures (revised)	1 January 2012
IC Interpretation 15, Agreements for the Construction of Real Estate	1 January 2012

The Group plans to apply the abovementioned FRSs / Interpretations where applicable from the annual period beginning 1 January 2012 respectively.

The initial application of the standards (and its consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements.

Following the announcement by the MASB on 1 August 2008, the Group's financial statements will be prepared in accordance with the International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 January 2012.

2 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2010.

3 Auditors' reports

The auditors report on the latest financial statements for the financial year ended 31 December 2010 was not subject to any audit qualifications.

4 Seasonal and cyclical factors

The results of the Group were not materially affected by any significant seasonal and cyclical factors during the 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-to-date.

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 period under review.

7 Dividend paid

The following dividend was paid by the Company.

	Sen per share	Total amount (RM)
Final ordinary - 31 December 2010	0.1	<u>558,200</u>

8 Segmental reporting

The Board is of the opinion that the revised business segmentation based on services would more accurately reflect the Group's scope of business, as well as enable the Board formulate the strategies and allocate the necessary resources for the growth of the business units.

The Group comprises the following main business segments:

- Outsourcing and Consulting ("OSD")
- E-Procurement ("E-PROC")
- Information and Communication Technologies Distribution ("CDIST")
- Information and Communication Technologies Services ("CSERV")
- Satellite based network services ("SAT")

The analysis of the Group's operations for the financial period ended 30 June 2011 is as follows:-

	OSD RM	E-PROC RM	CDIST RM	CSERV RM	SAT RM	Total RM
Total segment revenue - external	11,799,559	2,824,187	2,266,191	3,060	2,704,844	19,597,841
Segment results	<u>2,726,900</u>	<u>2,361,329</u>	<u>666,905</u>	<u>(20,230)</u>	<u>1,087,993</u>	6,822,897
Other income						225,555
Other operating expenses						<u>(4,548,879)</u>
Results from operating activities						2,499,573
Interest income						56,068
Finance costs						(663,412)
Tax expense						<u>(317,000)</u>
Net profit for the period						<u>1,575,229</u>
Segment assets	74,376,492	8,748,131	5,930,568	2,625,806	4,495,182	96,176,179
Unallocated assets						179,224
Total assets						<u>96,355,403</u>
Segment liabilities	29,944,302	86,016	479,256	799,832	2,057,074	33,366,480
Unallocated liabilities						216,900
Total liabilities						<u>33,583,380</u>

9 Valuation of property, plant and equipment

There were no revaluation of property, plant and equipment for the six months ended 30 June 2011.

10 Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the quarter under review that have not been reflected in the financial statements for the quarter under review.

11 Changes in composition of the Group

There were no changes in composition of the Group during the six months ended 30 June 2011.

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 quarter under review.

14 Review of performance

For the second quarter ended 30 June 2011 ("2Q11"), Privasia recorded a commendable 74.8% year-on-year increase in group revenues to RM10.0 million from RM5.75 million previously, due primarily to strong sales from its IT outsourcing and consulting, e-procurement as well as satellite-based network services.

The improved sales in 2Q11 resulted in profit before tax amounting to RM0.69 million and net profit of RM0.56 million, compared to loss before tax of RM0.33 million and net loss of RM0.33 million in the previous corresponding quarter.

For the cumulative six months ended 30 June 2011 ("1H11"), group revenues jumped 65.7% year-on-year to RM19.60 million from RM11.83 million previously, primarily due to continued demand for the Group's services. Group profitability improved correspondingly, with group profits before tax and net profits of RM1.89 million and RM1.58 million respectively; versus loss before tax and net loss of RM0.14 million and RM0.14 million respectively in the previous corresponding period.

Comparison with preceding quarter

In comparison with the preceding quarter ended 31 March 2011 ("1Q11"), 2Q11 group revenues were largely sustained at RM9.6 million versus RM10.00 million achieved in 1Q11.

However, profit before tax declined 42.2% to RM0.69 million from RM1.12 million in 1Q11 due to increased finance costs and higher operating expenses in 2Q11, resulting from the Group's continued expansion in headcount in line with the anticipated future business expansion.

15 Future prospects

The Group remains optimistic of its business outlook amid the uncertainties in the global economy. This is in view of the Group's active participation in tendering whilst the current order book comprising maintenance and system implementation stands at RM186 million which will last until 2020. The Group will continue to leverage on its expertise and experience in the IT outsourcing sector to sustain the Group's growth.

16 Income tax expenses

The government of Malaysia awarded Multimedia Super Corridor ("MSC") status to the Company's subsidiary, Privasia Sdn.Bhd., on 23 January 2002. With the granting of MSC status, this subsidiary are exempted from tax on 100% of statutory income from qualifying activities for an initial period of five (5) years. The extension of MSC status along with Pioneer Status for the subsidiary was approved by the authorities concerned for another five (5) years.

17 Unquoted investments and properties

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

18 Available-for-sale financial assets

As part of its treasury management activities, the Group invests its cash surplus in short term money market instruments and money market unit trusts.

(a) Particulars of investments in quoted securities as at 30 June 2011

	30.06.2011
	RM
At market value	<u>1,026,380</u>
At cost	<u>1,010,773</u>

19 Status of corporate proposals announced

There were no corporate proposals announced.

20 Off balance sheet financial instruments

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

21 Material litigation

Save as disclosed below, the Group is not engaged in any litigation, either as plaintiff or defendant, which may effect the income from, title to, or possession of, any of its assets and/or business of the Group and the Directors of the Group do not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which may effect the income from, title to, or possession of, any of its assets and/or business of the Group:-

On 21 July 2011, the Group has been served with notice to attend a mention at the Industrial Court vide Kuala Lumpur Industrial Court No. 14(21)(14)/4-1388/10 on 15 September 2011 . The case involves a former employee of Privanet Sdn Bhd claiming that he has been wrongfully dismissed and as such seek reinstatement to their former employment with the Company. The matter has just been referred by the Hon. Minister of Human Resources to the Industrial Court.

22 Earnings per share

(a) Basic earnings per share

Basic 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.

	Period ended 30.06.2011
Profit attributable to equity holders of the parent	1,426,081
Profit attributable to minority interest	149,148
Profit for the period (RM)	<u>1,575,229</u>
Weighted average number of ordinary shares in issue	558,200,020
Basic earnings per share (sen)	<u><u>0.28</u></u>

(b) Diluted earnings per share

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

23 Disclosure of realised and unrealised profits

The breakdown of the retained profits of the Group and of the Company as at 30 June 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	30.06.2011	31.12.2010 Restated
	RM'000	RM'000
Total retained profits of Privasia Technology Berhad and its subsidiaries		
- Realised	(6,308,926)	(8,235,006)
- Unrealised	110,963	110,963
	<u>(6,197,963)</u>	<u>(8,124,043)</u>
Less: Consolidation adjustments	12,629,840	13,129,839
Total retained profits as per statement of financial position	<u><u>6,431,877</u></u>	<u><u>5,005,796</u></u>

24 Authorisation for issue

The interim financial information were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 Aug 2011.