

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

Interim financial statements
for the period ended 30 September 2013

PRIVASIA TECHNOLOGY BHD (825092 - U)
(Incorporated In Malaysia)
Interim financial statements
Unaudited condensed consolidated statements of financial position

	As at 30.09.2013	As at 31.12.2012
	RM	RM
Assets		
Property, plant and equipment	27,633,851	21,225,541
Investment property	4,369,435	6,362,764
Intangible assets	37,561,453	38,280,246
Deferred tax asset	-	82,033
Total non-current assets	<u>69,564,739</u>	<u>65,950,584</u>
Inventories	2,032,398	1,654,320
Work-in-progress	4,500,641	1,856,888
Tax recoverable	86,823	9,248
Trade and other receivables	20,412,982	26,524,958
Cash and cash equivalents	9,490,924	13,150,993
Total current assets	<u>36,523,768</u>	<u>43,196,407</u>
Total assets	<u>106,088,507</u>	<u>109,146,991</u>
Equity		
Share capital	55,820,002	55,820,002
Reserves	17,388,653	15,151,718
Equity attributable to owners of the Company	<u>73,208,655</u>	<u>70,971,720</u>
Non-controlling interests	(41,445)	(19,818)
Total equity	<u>73,167,210</u>	<u>70,951,902</u>
Liabilities		
Loans and borrowings	9,349,962	16,021,221
Deferred tax liabilities	357,771	126,925
Total non-current liabilities	<u>9,707,733</u>	<u>16,148,146</u>
Loans and borrowings	8,521,831	8,090,910
Trade and other payables	14,078,012	12,728,148
Taxation	613,721	1,227,885
Total current liabilities	<u>23,213,564</u>	<u>22,046,943</u>
Total liabilities	<u>32,921,297</u>	<u>38,195,089</u>
Total equity and liabilities	<u>106,088,507</u>	<u>109,146,991</u>
Net assets per share (RM)	<u>0.13</u>	<u>0.13</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Interim financial statements**Unaudited condensed consolidated statements of profit or loss and other comprehensive income**

	Three Months ended 30 September		Nine Months ended 30 September	
	2013	2012	2013	2012
	RM	RM	RM	RM
Continuing operations				
Revenue	13,954,350	15,142,206	43,340,146	39,934,081
Cost of Sales	(7,395,727)	(9,189,188)	(26,045,548)	(25,059,087)
Gross profit	<u>6,558,623</u>	<u>5,953,018</u>	<u>17,294,598</u>	<u>14,874,994</u>
Other income	87,620	90,768	217,865	212,663
Other operating expenses	(4,375,272)	(2,695,305)	(9,790,883)	(7,700,402)
Results from operating activities	<u>2,270,971</u>	<u>3,348,481</u>	<u>7,721,580</u>	<u>7,387,255</u>
Finance income	41,081	53,300	151,545	98,475
Finance costs	(262,116)	(457,967)	(865,144)	(1,227,571)
Net finance costs	<u>(221,035)</u>	<u>(404,667)</u>	<u>(713,599)</u>	<u>(1,129,096)</u>
Share of equity accounted associate	(958)	-	(958)	-
Profit before tax	<u>2,048,978</u>	<u>2,943,814</u>	<u>7,007,023</u>	<u>6,258,159</u>
Tax expense	(1,297,957)	(811,419)	(3,117,113)	(3,021,326)
Profit for the period	<u>751,021</u>	<u>2,132,395</u>	<u>3,889,910</u>	<u>3,236,833</u>
Comprehensive income for the period	<u>751,021</u>	<u>2,132,395</u>	<u>3,889,910</u>	<u>3,236,833</u>
Profit/(loss) attributable to:				
Owner of the company	769,380	2,132,395	3,911,537	3,185,064
Non-controlling interest	(18,359)	-	(21,627)	51,769
Profit for the period	<u>751,021</u>	<u>2,132,395</u>	<u>3,889,910</u>	<u>3,236,833</u>
Comprehensive income / (loss) for the period				
Owner of the company	769,380	2,132,395	3,911,537	3,185,064
Non-controlling interest	(18,359)	-	(21,627)	51,769
Comprehensive income for the period	<u>751,021</u>	<u>2,132,395</u>	<u>3,889,910</u>	<u>3,236,833</u>
Basic earnings per ordinary shares (sen)				
From continuing operations	<u>0.13</u>	<u>0.38</u>	<u>0.70</u>	<u>0.58</u>
Diluted earnings per ordinary shares (sen)				
From continuing operations	<u>0.13</u>	<u>0.38</u>	<u>0.70</u>	<u>0.58</u>

The interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Interim financial statements

Unaudited condensed consolidated statement of changes in equity for period ended 30 Sept 2013

	<-----Attributable to owners of the Company----->					Total equity
	Share capital	Fair value reserve	Retained earnings	Subtotal	Non-controlling Interests	
<i>(all in RM)</i>						
At 1 January 2012	55,820,002	20,553	11,732,877	67,573,432	633,685	68,207,117
Change in fair value of available-for-sale financial assets	-	(20,553)	-	(20,553)	-	(20,553)
Total other comprehensive income for the year	-	(20,553)	-	(20,553)	-	(20,553)
Net profit for the year	-	-	4,939,068	4,939,068	51,240	4,990,308
Total comprehensive income for the year	-	(20,553)	4,939,068	4,918,515	51,240	4,969,755
Dividends paid	-	-	(1,116,400)	(1,116,400)	(45,391)	(1,161,791)
Change in ownership interests in subsidiary	-	-	(403,827)	(403,827)	(659,352)	(1,063,179)
As 31 December 2012	55,820,002	-	15,151,718	70,971,720	(19,818)	70,951,902
At 1 January 2013	55,820,002	-	15,151,718	70,971,720	(19,818)	70,951,902
Net profit / (loss) for the period	-	-	3,911,537	3,911,537	(21,627)	3,889,910
Total comprehensive income / (loss) for the period	-	-	3,911,537	3,911,537	(21,627)	3,889,910
Dividends paid	-	-	(1,674,600)	(1,674,600)	-	(1,674,600)
As 30 September 2013	55,820,002	-	17,388,653	73,208,655	(41,445)	73,167,210

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

PRIVASIA TECHNOLOGY BHD (825092 - U)
(Incorporated In Malaysia)
Interim financial statements
Unaudited condensed consolidated statements of cash flows

	Nine months ended 30.09.2013 RM	Nine months ended 30.09.2012 RM
Cash flow from operating activities		
Profit before taxation	7,007,023	6,258,159
<i>Adjustment for :</i>		
Amortisation of development costs	656,891	702,986
Amortisation of intangible assets	442,366	411,699
Depreciation of investment property	51,747	51,566
Depreciation of property, plant and equipment	5,136,110	5,544,065
Finance income	(151,545)	(98,475)
Finance expenses	865,144	1,227,571
Share of loss of equity accounted associate	958	-
Gain on disposal of property, plant and equipment	(8,760)	(13,584)
Provision for doubtful debts	72,400	324,624
Operating profit before changes in working capital	<u>14,072,334</u>	<u>14,408,611</u>
Change in work-in progress	(2,643,753)	(2,358,441)
Change in receivables and prepayments	6,111,966	(1,734,868)
Change in inventories	(378,078)	(35,872)
Change in payables and accruals	1,349,864	607,273
Cash generated from operations	<u>18,512,332</u>	<u>10,886,703</u>
Tax paid	(3,952,693)	(1,100,803)
Interest received	151,545	98,475
Net cash generated from operating activities	<u>14,711,184</u>	<u>9,884,375</u>
Cash flow from investing activities		
Decrease on development costs	-	(44,628)
Proceeds for disposal of property, plant and equipment	5,545	267,615
Acquisition of intangible assets	(382,175)	(3,003)
Acquisition of property, plant and equipment	(9,214,511)	(2,332,593)
Acquisition of interest in subsidiary/associate	(30)	(1,113,179)
Net cash used in investing activities	<u>(9,591,171)</u>	<u>(3,225,788)</u>
Cash flow from financing activities		
Change in fair value of available-for-sale financial assets	-	1,028,326
Interest paid	(865,144)	(1,227,571)
Dividends paid	(1,674,600)	(45,391)
Decrease/(Increase) in pledged deposits	619,630	(482,551)
Repayment of loans and borrowings	(6,240,338)	(667,624)
Net cash used in financing activities	<u>(8,160,452)</u>	<u>(1,394,811)</u>
Net (decrease)/increase in cash and cash equivalent	(3,040,439)	5,263,776
Cash and cash equivalents at 1 January	11,078,907	7,196,552
Cash and cash equivalents at 30 September	<u>8,038,468</u>	<u>12,460,328</u>

Cash and cash equivalent

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

	Nine months ended 30.09.2013 RM	Nine months ended 30.09.2012 RM
Cash and bank balance	5,307,088	4,772,450
Deposit with licensed bank	4,183,836	9,228,153
	<u>9,490,924</u>	<u>14,000,603</u>
Less: Deposit pledged	(1,452,456)	(1,540,275)
	<u>8,038,468</u>	<u>12,460,328</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Notes to the condensed consolidated interim financial statements**1 Basis 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 with Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting and with International Accounting Standard (IAS) 34, Interim Financial Reporting and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2012.

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 September 2013.

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 annual financial statements as at and for the year ended 31 December 2012.

3 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2012.

During the nine months ended 30 September 2013 management reassessed its estimates in respect of :-

- i) Impairment of goodwill and intangible asset
- ii) Impairment losses on trade receivables
- iii) Deferred tax assets
- iv) Income taxes

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

During the quarter under review, a Single Tier Tax Exempt Final Dividend of 0.30 sen per ordinary share, amounting to RM1,674,600.06 was paid on 18 July 2013 in respect to financial year ended 31 December 2012.

No dividend has been recommended by the directors or paid for the financial period ended 30 September 2013.

8 Segmental reporting

The Board is of the opinion that the following business segmentation based on services reflects the Group's scope of business which enables the Board to formulate its 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 September 2013 is as follows:-

	OSD RM	E-PROC RM	CDIST RM	CSERV RM	SAT RM	ELIMINATION RM	Total RM
Total segment revenue - external	27,321,175	6,907,464	637,141	2,247,027	6,729,470	(502,132)	43,340,146
Segment results	11,395,664	6,227,087	146,037	738,866	2,280,927	(3,493,983)	17,294,598
Other income							217,865
Other operating expenses							(9,790,883)
Results from operating activities							7,721,580
Interest income							151,545
Finance costs							(865,144)
Share of equity accounted associate							(958)
Tax expense							(3,117,113)
Net profit for the period							3,889,910
Segment assets	62,336,486	6,863,413	5,634,631	9,329,111	6,820,458	(41,669,585)	49,314,514
Unallocated assets							56,773,993
Total assets							106,088,507
Segment liabilities	25,787,592	-	4,560,227	9,880,876	3,524,843	(14,077,847)	29,675,691
Unallocated liabilities							3,245,606
Total liabilities							32,921,297

9 Material events subsequent to the end of the interim period

There were no material subsequent events up to the date of this report that will affect the financial statements of the financial period under review.

10 Change in composition of the Group

On 4 July 2013, Privanet Sdn Bhd, wholly-owned subsidiary of the Company acquired 30 ordinary shares of RM1 each in Infocrats Sdn Bhd, representing 30% of the paid up capital of Infocrats Sdn Bhd for a total consideration of RM30.

The Company had on 18 July 2013 acquired 700,000 ordinary shares of RM1.00 each in Spring Reach Distribution Sdn Bhd (formerly known as Privanet Distribution Sdn Bhd) from Privanet Sdn Bhd, a wholly-owned subsidiary of the Company. The acquisition represents 70% of the entire issued and paid up capital of Spring Reach Distribution Sdn Bhd.

The disposal of the remaining 300,000 ordinary shares of RM1.00 each in Spring Reach Distribution Sdn Bhd to Low Peng Yew and Chan Yue Mun, whereby each will hold 15% of the entire issued and paid up capital is still currently pending completion.

11 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.

12 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.

13 Review of performance

For the third quarter ended 30 September 2013 (3Q13), the Group posted revenue of RM14.0 million, 7.8% lower than RM15.1 million recorded in the corresponding quarter of the previous year. The slowdown was largely due to lower sales from the group's Satellite based network services (SAT).

Group's 3Q13 profit before tax (PBT) was at RM2.0 million, 30.4% lower from RM2.9 million previously, due mainly to lower revenue and higher operating expenses. Net profit for the quarter was RM0.8 million versus RM2.1 million in 3Q12, due to higher tax expense.

For the cumulative nine months ended 30 September 2013 (9m13), group revenue rose 8.5% year-on-year to RM43.3 million from RM39.9 million previously, largely attributable to the Group's growing recurrent income from Outsourcing and Consulting (OSD) business segment.

In line with better revenue in 9m13, the Group saw increased PBT of RM7.0 million versus RM6.3 million previously, while net profit recorded RM3.9 million, 20.2% higher as compared to RM3.2 million last year.

Cash and cash equivalents decreased from RM12.5 million to RM8 million due mainly to strategic investment in revenue generating asset and a significant repayment of bank borrowings.

Comparison with preceding quarter

In comparison with the preceding quarter ended 30 June 2013 (2Q13), group revenue dipped marginally to RM13.9 million in 3Q13 versus RM15.0 million.

Profit before tax was at RM2.0 million in 3Q13, lower than RM2.3 million recorded in 2Q13. This was mainly the result of higher manpower cost during the quarter under review.

14 Future prospects

The Group maintains its positive outlook for the rest of Financial Year ending 31 December 2013 (FY2013).

The Group is optimistic of the ICT industry's prospects as a result of the Budget 2014 announcement, and is delighted to see the Government's continued support of the ICT industry. We believe that measures such as the second phase of the High Speed Broadband (HSBB) and accelerated capital allowance which will see an increased demand for ICT products, solutions and services - an area which we will be able to capitalise on.

Further to that, with the Group's OSD order book of RM141.7 million, which is expected to sustain the Group to 2020, our prospects are promising.

15 Income tax expenses

	Current quarter Three months ended 30 Sept		3rd quarter Nine months ended 30 Sept	
	2013 RM	2012 RM	2013 RM	2012 RM
Current tax				
-Current year	1,116,581	900,613	2,759,342	2,851,435
		-		-
Deferred tax				
Origination and reversal of temporary differences	181,376	(89,194)	357,771	169,891
Tax expenses from continuing operations	<u>1,297,957</u>	<u>811,419</u>	<u>3,117,113</u>	<u>3,021,326</u>

16 Unquoted investments and properties

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

17 Status of corporate proposals announced

There were no corporate proposals announced.

18 Off balance sheet financial instruments

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

19 Material litigation

On 15 March 2013, the Group was served with a letter from the Industrial Relations Department of Malaysia, informing that the case involving a claim of wrongful dismissal by a former employee be referred to the Kuala Lumpur Industrial Court. The paperwork has been submitted and the hearing is scheduled on 3rd and 4th March 2014.

The Directors are of the opinion that the Group has a reasonable defense to the claim and provisions are not required in respect of this matter as it is not probable that any future compensation payments will be required to be paid to the former employee.

20 Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2012 was not qualified.

21 Profit for the period

	Nine months ended 30 Sept	
	2013	2012
Profit for the period is arrived at after charging:		
Amortisation of development costs	656,891	702,986
Amortisation of intangible assets	442,366	411,699
Depreciation of investment properties	51,747	51,566
Depreciation of property, plant and equipment	5,136,110	5,544,065
Provision for doubtful debts	<u>72,400</u>	<u>324,624</u>
and after crediting:		
Gain on disposal of available for sale financial assets	-	45,401
Gain on disposal of property, plant and equipments	<u>8,760</u>	<u>13,584</u>

22 Derivative financial instruments

The Group does not have any derivative financial instruments for the current quarter ended 30 September 2013.

There is no change to the Group's financial risk management policies and objectives in managing there derivative financial instruments and its related accounting

23 Fair value changes of financial liabilities

The Group does not have any financial liabilities that are measured at fair value through profit or loss for the current quarter ended 30 September 2013.

24 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.

	Nine months ended 30.09.2013
Profit attributable to equity holders	3,911,537
Loss attributable to non-controlling interests	(21,627)
Profit for the period (RM)	<u>3,889,910</u>
Weighted average number of ordinary shares in issue	558,200,020
Basic earnings per share (sen)	<u><u>0.70</u></u>

(b) Diluted earnings per share

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

25 Breakdown of realised and unrealised profits

The breakdown of retained profits of the Group as at reporting date, into realised and unrealised profits, as disclosed to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:-

	Group	
	30.09.2013	31.12.2012
	RM	RM
Total retained profits of Privasia Technology Berhad and its subsidiaries		
- Realised	2,255,511	360,157
- Unrealised	<u>2,778,477</u>	<u>2,375,818</u>
	5,033,988	2,735,975
Add: Consolidation adjustments	12,354,665	12,415,743
Total group retained profits as per consolidated interim financial statements	<u><u>17,388,653</u></u>	<u><u>15,151,718</u></u>

The determination of realised and unrealised profits is based on Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

26 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 28 November 2013.