

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

Unaudited condensed consolidated
interim financial statements
for the period ended 30 September 2016

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements**Unaudited condensed consolidated statements of financial position as at 30 September 2016**

	As at 30.09.2016	As at 31.12.2015
	RM	RM
Assets		
Property, plant and equipment	31,271,349	29,763,142
Investment properties	2,347,702	4,261,689
Intangible assets	37,674,548	37,313,581
Available-for-sale financial asset	500,000	500,000
Deferred tax assets	1,073,987	1,073,987
Total non-current assets	<u>72,867,586</u>	<u>72,912,399</u>
Inventories	3,095,020	3,218,269
Tax recoverable	1,380,335	1,312,609
Trade receivables	22,123,078	25,354,111
Unbilled revenue	6,249,225	3,273,209
Other receivables, deposits and prepayments	10,895,214	6,930,587
Cash and cash equivalents	9,092,620	9,225,227
Total current assets	<u>52,835,492</u>	<u>49,314,012</u>
Total assets	<u><u>125,703,078</u></u>	<u><u>122,226,411</u></u>
Equity		
Share capital	55,820,002	55,820,002
Reserves	26,307,757	25,625,464
Equity attributable to owners of the Company	<u>82,127,759</u>	<u>81,445,466</u>
Non-controlling interests	(472,760)	(609,480)
Total equity	<u>81,654,999</u>	<u>80,835,986</u>
Liabilities		
Loans and borrowings	7,487,386	9,448,752
Deferred tax liabilities	1,551,000	2,102,721
Total non-current liabilities	<u>9,038,386</u>	<u>11,551,473</u>
Loans and borrowings	9,303,488	3,021,053
Trade payables	15,035,725	18,936,262
Other payables and accruals	10,670,480	7,848,637
Taxation	-	33,000
Total current liabilities	<u>35,009,693</u>	<u>29,838,952</u>
Total liabilities	<u>44,048,079</u>	<u>41,390,425</u>
Total equity and liabilities	<u><u>125,703,078</u></u>	<u><u>122,226,411</u></u>
Net assets per share (RM)	<u>0.15</u>	<u>0.15</u>

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements**Unaudited condensed consolidated statements of profit or loss and other comprehensive income for the period ended 30 September 2016**

	Three Months ended 30 September		Nine Months ended 30 September	
	2016	2015	2016	2015
	RM	RM	RM	RM
Continuing operations				
Revenue	19,251,784	21,516,696	54,918,817	62,710,957
Cost of Sales	(12,662,550)	(15,707,480)	(37,268,705)	(42,308,784)
Gross profit	<u>6,589,234</u>	<u>5,809,216</u>	<u>17,650,112</u>	<u>20,402,173</u>
Other income	102,807	(1)	1,053,147	153,456
Operating expenses	(4,906,571)	(5,706,085)	(14,769,738)	(16,614,996)
Results from operating activities	<u>1,785,470</u>	<u>103,130</u>	<u>3,933,521</u>	<u>3,940,633</u>
Finance income	34,982	10,934	46,516	37,643
Finance costs	(166,149)	(137,521)	(366,401)	(425,508)
Net finance costs	<u>(131,167)</u>	<u>(126,587)</u>	<u>(319,885)</u>	<u>(387,865)</u>
Profit before tax	<u>1,654,303</u>	<u>(23,457)</u>	<u>3,613,636</u>	<u>3,552,768</u>
Tax expense	(895,680)	134,391	(1,678,223)	(1,265,609)
Net profit for the period	<u>758,623</u>	<u>110,934</u>	<u>1,935,413</u>	<u>2,287,159</u>
Comprehensive income for the period	<u>758,623</u>	<u>110,934</u>	<u>1,935,413</u>	<u>2,287,159</u>
Profit attributable to:				
Owner of the company	761,976	245,071	1,798,693	2,412,417
Non-controlling interest	(3,353)	(134,137)	136,720	(125,258)
Profit for the period	<u>758,623</u>	<u>110,934</u>	<u>1,935,413</u>	<u>2,287,159</u>
Comprehensive income for the period				
Owner of the company	761,976	245,071	1,798,693	2,412,417
Non-controlling interest	(3,353)	(134,137)	136,720	(125,258)
Comprehensive income for the period	<u>758,623</u>	<u>110,934</u>	<u>1,935,413</u>	<u>2,287,159</u>
Basic earnings per ordinary shares (sen)				
From continuing operations	<u>0.14</u>	<u>0.04</u>	<u>0.32</u>	<u>0.43</u>
Diluted earnings per ordinary shares (sen)				
From continuing operations	<u>0.14</u>	<u>0.04</u>	<u>0.32</u>	<u>0.43</u>

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements

Unaudited condensed consolidated statement of cash flows for the period ended 30 September 2016

	Nine months ended 30.09.2016	Nine months ended 30.09.2015
	RM	RM
Cash flow from operating activities		
Profit before taxation	3,613,636	3,552,768
<i>Adjustment for :</i>		
Amortisation of intangible assets	298,908	402,758
Depreciation of investment properties	30,518	35,826
Depreciation of property, plant and equipment	5,513,900	6,347,611
Finance income	(46,516)	(37,643)
Finance costs	366,401	425,508
Reversal of impairment loss on trade receivables	(142,959)	(4,000)
Impairment loss on trade receivables	-	382,895
Property, plant and equipment written off	1,014	22,607
Unrealised (gain)/loss on foreign exchange	(749,838)	892,106
Operating profit before changes in working capital	<u>8,885,064</u>	<u>12,020,436</u>
Change in inventories	(2,568,766)	(544,617)
Change in work-in progress	-	827,719
Change in trade and other receivables	(3,566,652)	(13,842,999)
Change in trade and other payables	(328,858)	7,652,969
Cash generated from operations	<u>2,420,788</u>	<u>6,113,508</u>
Tax refunded	990	-
Tax paid	(2,331,660)	(2,042,567)
Interest received	46,516	37,643
Net cash generated from in operating activities	<u>136,634</u>	<u>4,108,584</u>
Cash flow from investing activities		
Acquisition of intangible assets	(659,874)	(780,627)
Acquisition of property, plant and equipment	(2,447,636)	(5,134,242)
Net cash used in investing activities	<u>(3,107,510)</u>	<u>(5,914,869)</u>
Cash flow from financing activities		
Interest paid	(366,401)	(425,508)
Increase/(Decreased) in pledged deposits	357,604	(839,500)
Dividend paid	(1,116,400)	(1,395,500)
(Decrease)/Increase of loans & borrowings	(1,841,368)	2,430,911
Net cash used in financing activities	<u>(2,966,565)</u>	<u>(229,597)</u>
Net decrease in cash and cash equivalent	(5,937,441)	(2,035,882)
Cash and cash equivalents at 1 January	5,857,580	8,079,426
Cash and cash equivalents at 30 September	<u>(79,861)</u>	<u>6,043,544</u>

Cash and cash equivalent

The reconciliation of cash and cash equivalent as presented in the condensed consolidated statement of cash flows to the cash and cash equivalent as presented in the condensed consolidated statement of financial position is as follows:

	Nine months ended 30.09.2016	Nine months ended 30.09.2015
Fixed deposit with licensed banks	5,508,633	5,433,986
Cash and bank balances	<u>3,583,987</u>	<u>3,797,120</u>
Cash and cash equivalent as presented in the condensed consolidated statement of financial position	9,092,620	9,231,106
Less: Pledged deposits with licensed banks	(2,807,757)	(3,187,562)
Bank overdrafts	(6,364,724)	-
Cash and cash equivalent as presented in the condensed consolidated statement of cash flows	<u>(79,861)</u>	<u>6,043,544</u>

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Unaudited condensed consolidated interim financial statements**Unaudited condensed consolidated statement of changes in equity for the period ended 30 September 2016**

	<-----Attributable to owners of the Company----->				
	<i>Non-distributable</i>	<i>Distributable</i>	Subtotal	Non- controlling Interests	Total equity
	Share capital	Retained earnings			
	RM	RM	RM	RM	RM
At 1 January 2015	55,820,002	23,901,193	79,721,195	318,057	80,039,252
Total comprehensive income for the period	-	2,412,417	2,412,417	(125,258)	2,287,159
Change in ownership interests in subsidiary	-	-	-	-	-
Dividends paid for the period	-	(1,395,500)	(1,395,500)	-	(1,395,500)
At 30 September 2015	<u>55,820,002</u>	<u>24,918,110</u>	<u>80,738,112</u>	<u>192,799</u>	<u>80,930,911</u>
At 1 January 2016	55,820,002	25,625,464	81,445,466	(609,480)	80,835,986
Total comprehensive income for the period	-	1,798,693	1,798,693	136,720	1,935,413
Change in ownership interests in subsidiary	-	-	-	-	-
Dividends paid for the period	-	(1,116,400)	(1,116,400)	-	(1,116,400)
At 30 September 2016	<u>55,820,002</u>	<u>26,307,757</u>	<u>82,127,759</u>	<u>(472,760)</u>	<u>81,654,999</u>

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015 and the notes to the unaudited condensed consolidated interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Notes to the unaudited condensed consolidated interim financial statements**1 Basis of preparation**

The unaudited condensed consolidated interim financial statements have been prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market and with Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting, which is in compliance with International Accounting Standard (IAS) 34, Interim Financial Reporting.

The unaudited condensed consolidated interim financial statements have been reviewed by the auditors in accordance with ISRE 2410.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the latest audited financial statements of Privasia Technology Berhad ("the Company") and its subsidiaries ("Group") for the financial year ended ("FYE") 31 December 2015 and are available upon request from the Company's registered office at No. 13A, Jalan SS21/56B, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.

The notes to these unaudited condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group for the financial period ended 30 September 2016.

2 Significant accounting policies

The accounting policies applied by the Group in these unaudited condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 December 2015.

3 Estimates

There were no material changes in estimates of amount reported in prior financial periods which may have a material effect in the financial period under review.

4 Seasonal and cyclical factors

The results of the Group were not materially affected by any significant seasonal and cyclical factors during the financial period under review.

5 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period under review.

6 Issuances, cancellations, repurchases, resale and repayment of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities in the Company during the financial period under review.

7 Dividend

On 24 June 2016, a payment of a final dividend of 0.20 sen per ordinary share totalling RM1,116,400 in respect of the financial year ended 31 December 2015 was approved in the Eighth Annual General Meeting by the shareholders and was paid on 18 August 2016.

There were no other dividends declared/ recommended and paid for the financial period under review.

8 Loans and Borrowings

	Group	
	30 September 2016 RM	31 December 2015 RM
Non-current		
Secured term loans from licensed banks	7,022,210	7,826,161
Finance lease liabilities	465,176	1,622,591
	7,487,386	9,448,752
Current		
Secured term loans from licensed banks	1,251,893	1,190,024
Finance lease liabilities	1,686,871	1,729,886
Bank overdrafts	6,364,724	101,143
	9,303,488	3,021,053
Total	16,790,874	12,469,805

9 Segmental reporting

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's current reportable segments:

- Information Technology ("IT")
Comprise of IT infrastructure outsourcing, consultancy and systems integration and procurement management.
- Information and Communications Technology ("ICT")
Provision of wireless broadband infrastructure, comprehensive mobile and wireless communications consultancy, and systems development for ICT and mobile solutions providers and enterprises.
- Satellite-based network services ("SAT")
The SAT segment provides a broad spectrum of satellite-based network solutions, such as managed network, high speed internet, value-added broadband applications and satellite IP Virtual Private Network for the commercial sector and general public.

Performance is measured based on segment results, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The analysis of the Group's operations for the financial period ended 30 September 2016 is as follows:-

	IT RM	ICT RM	SAT RM	ELIMINATION RM	Total RM
Total segment revenue - external	27,581,782	19,377,622	8,080,269	(120,856)	54,918,817
Gross profit	14,652,651	3,664,533	(651,269)	(15,803)	17,650,112
Other income	101,805	204,572	746,770	-	1,053,147
Other operating expenses	(7,346,452)	(5,025,523)	(2,073,411)	(324,352)	(14,769,738)
Results from operating activities	7,408,004	(1,156,418)	(1,977,910)	(340,155)	3,933,521
Finance income					46,516
Finance costs					(366,401)
Tax expense					(1,678,223)
Net profit for the period					1,935,413
Segment assets	87,692,055	24,229,420	13,151,657	(65,585,332)	59,487,800
Unallocated assets					66,215,278
Total assets					125,703,078
Segment liabilities	32,324,173	31,995,201	15,141,813	(45,166,039)	34,295,148
Unallocated liabilities					9,752,931
Total liabilities					44,048,079

10 Material events subsequent to the end of the interim period

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

11 Change in composition of the Group

There were no changes in the composition of the Group for the financial period under review.

12 Changes in contingent liabilities or contingent assets

As at the date of this report, the Group does not have any contingent liabilities or contingent assets.

13 Capital commitments

There were no material commitments for the purchase of property, plant and equipment incurred or known to be incurred for in the current financial period under review.

14 Financial instruments

The Group's financial risk management objectives and policies and risk profile are consistent with those disclosed in the consolidated annual financial statements as at and for the year ended 31 December 2015.

Fair value information

The carrying amounts of cash and cash equivalents, trade and others receivables, trade and other payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

Fair value hierarchy

The table below analyses financial instruments not carried at fair value for which fair value is disclosed and carrying amounts shown in the statement of financial position.

Fair value of financial instruments not carried at fair value

	Level 3 RM	Total Fair Value RM	Carrying Amount RM
As at 30 September 2016			
Financial liabilities			
Secured term loans from licensed banks	(8,274,103)	(8,274,103)	(8,274,103)
Finance lease liabilities	(2,132,463)	(2,132,463)	(2,152,047)
As at 31 December 2015			
Financial liabilities			
Secured term loans from licensed banks	(9,016,185)	(9,016,185)	(9,016,185)
Finance lease liabilities	(3,378,145)	(3,378,145)	(3,352,477)

During the 12 months ended 31 December 2015, there were no transfers between fair value hierarchy of financial assets and financial liabilities.

Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B

15 Review of performance

Privasia noted higher profit before tax (PBT) of RM1.65 million in the third quarter ended 30 September 2016 (3Q16) compared to loss before tax of RM0.02 million in the previous corresponding quarter (3Q15). This was due to the Group's focus on favourable-margin project mix and lower forex loss compared to 3Q15. 3Q16 net profit was 210.9% higher at RM0.76 million compared to RM0.25 million in 3Q15.

The increased PBT was achieved despite lower total revenue of RM19.25 million in 3Q16 versus RM21.52 million previously. Sales from the Information Technology (IT) segment declined on project completion, billings from the Information and Communications Technology (ICT) segment were lower on fewer system integration jobs due to the dampened economic outlook, and the Satellite-based network services (SAT) segment noted reduced revenue on fewer implementations within a broadband project.

For the nine months ended 30 September 2016 (YTD16), PBT was largely maintained at RM3.61 million on revenue of RM54.92 million, against nine months ended 30 September 2015 (YTD15) PBT of RM3.55 million on revenue of RM62.71 million. YTD16 net profit stood at RM1.80 million compared to RM2.41 million in YTD15 on account of higher deferred tax.

The IT and ICT segments recorded revenues of RM27.58 million and RM19.26 million respectively in YTD16, lower than RM32.81 million and RM22.34 million respectively in YTD15 due to similar factors stated above. Sales in the SAT segment increased to RM8.08 million from RM7.56 million a year ago on stronger billings in the first half of the year.

Comparison with preceding quarter

3Q16 revenue increased 9.0% to RM19.25 million versus RM17.66 million in the preceding quarter due to higher sales in the IT and ICT segments. 3Q16 PBT and net profit grew 50.9% and 97.2% respectively to RM1.65 million and RM0.76 million, from RM1.10 million and RM0.39 million in 2Q16.

The improved performance was mainly due to better profitability of the IT segment in the quarter under review.

16 Future prospects

In addition to our orderbook of RM115 million which will last us till 2021, Privasia intends to continue investing into enhancing our Intellectual Property (IP) solutions, to widen our product range and appeal to a larger pool of existing and potential customers.

With the commissioning of our satellite hub, we are looking at better cost efficiencies and extending our range of services in the satellite segment.

We are confident that this will contribute positively to our future prospects.

17 Variance on Profit Forecast

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

18 Income tax expenses

	Current quarter ended 30 September		Cummulative quarter ended 30 September	
	2016 RM	2015 RM	2016 RM	2015 RM
Current tax				
- Current year	1,063,000	401,630	2,453,000	2,301,630
- Prior year	(161,320)	(686,021)	(223,056)	(686,021)
	<u>901,680</u>	<u>(284,391)</u>	<u>2,229,944</u>	<u>1,615,609</u>
Deferred tax				
Origination and reversal of temporary differences	(6,000)	150,000	(551,721)	(350,000)
	<u>895,680</u>	<u>(134,391)</u>	<u>1,678,223</u>	<u>1,265,609</u>

19 Unquoted investments and properties

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

20 Status of corporate proposals announced

There were no corporate proposals announced.

21 Off balance sheet financial instruments

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

22 Material litigation

There was no material litigation for the current financial period under review.

23 Auditor's report on preceding annual financial statements

The auditor's report on the latest audited annual financial statements for the year ended 31 December 2015 was not modified.

24 Profit for the period

	Current quarter ended 30 September		Cummulative quarter ended 30 September	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit for the period is arrived at after charging/ (crediting):				
Amortisation of intangible assets	89,154	139,153	298,908	402,758
Depreciation of investment properties	6,634	11,942	30,518	35,826
Depreciation of property, plant and equipment	1,838,535	2,327,892	5,513,900	6,347,611
Property, plant and equipment written off	-	-	1,014	22,607
Reversal of impairment loss on trade receivables	-	-	(142,959)	(4,000)
Impairment loss on trade receivables	-	74,645	-	382,895
Unrealised (gain)/loss on foreign exchange	(54,660)	892,106	(749,838)	892,106
Realised loss on foreign exchange	(21,719)	210,512	71,869	210,512
Finance costs	166,149	137,521	366,401	425,508
Finance income	(34,982)	(10,934)	(46,516)	(37,643)

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

- 1) Write off of inventories;
- 2) (Gain)/ loss on derivatives.

25 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.

	Current quarter ended 30 September		Cumulative quarter ended 30 September	
	2016 RM	2015 RM	2016	2015
Profit attributable to equity holders (RM)	761,976	245,071	1,798,693	2,412,417
Weighted average number of ordinary shares in issue (units)	558,200,020	558,200,020	558,200,020	558,200,020
Basic earnings per share (sen)	<u>0.14</u>	<u>0.04</u>	<u>0.32</u>	<u>0.43</u>

(b) Diluted earnings per share

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

26 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 June 2016 RM	31 December 2015 RM
Total retained profits of Privasia Technology Berhad and its subsidiaries		
- Realised	13,879,793	14,362,339
- Unrealised	(580,268)	(1,881,827)
	<u>13,299,525</u>	<u>12,480,512</u>
Add: Consolidation adjustments	13,008,232	13,144,952
Total group retained profits as per consolidated interim financial statements	<u>26,307,757</u>	<u>25,625,464</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.

27 Authorisation for issue

The unaudited condensed consolidated interim financial statement were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 November 2016.