

General Announcement

Reference No **CC-091201-29873**

Company Name : **PRIVASIA TECHNOLOGY BERHAD (ACE Market)**
Stock Name : PRIVA
Date Announced : 01/12/2009

Type : Announcement
Subject : PRIVASIA TECHNOLOGY BERHAD ("PRIVA" OR "THE COMAPNY") PROPOSED ACQUISITION OF 70% OF THE EQUITY INTEREST IN IPSAT SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM1.0 MILLION (PROPOSED ACQUISITION")

Contents : Refer below

Announcement Details :

1. INTRODUCTION

The Board of Directors of Priva ("Board") is pleased to announce that Priva ("Purchaser") had on 1 December 2009 entered into a Share Sale Agreement with Low Phaik Chin and Lu Pak Lim ("Vendors") for the proposed acquisition of 70% of the equity interest in IPSAT Sdn Bhd ("IPSAT") comprising 350,000 existing ordinary shares of RM1.00 each from the Vendors and a further 350,000 new ordinary shares of RM1.00 each in IPSAT ("Sale Shares") for a total cash consideration of RM1.0 million ("Purchase Consideration") ("Share Sale Agreement").

Upon completion of the Proposed Acquisition, the shareholding structure of IPSAT will be as follows:-

Shareholders	Number of shares held	%
Priva	700,000	70
Lu Pak Lim	300,000	30
Total	1,000,000	100

In this regard, IPSAT will become a 70% owned subsidiary of Priva.

The Sale Shares will be purchased by Priva free from all liens, claims, charges, mortgages, equities and other encumbrances whatsoever, but with all rights and advantages attaching thereto or accruing thereon together with all dividends (including dividends declared but not paid) as at the Completion Date (as defined herein).

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Information on IPSAT

IPSAT was incorporated in Malaysia on 29 April 2003. As at 26 November 2009, the authorised and issued and paid-up share capital of IPSAT is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

The principal activity of IPSAT is involved in high speed internet broadband access via satellite to customers.

As at 26 November 2009, the shareholding structure of IPSAT is as follows:-

Shareholders	Number of shares held	%
Lu Pak Lim	280,000	56
Low Phaik Chin	220,000	44
Total	500,000	100

The directors of IPSAT are Lu Pak Lim and Low Phaik Chin.

Based on the latest audited financial statements of IPSAT for the financial year ended 31 December 2008, the net profit and net assets was approximately RM121,079 and RM67,611 respectively.

2.2 Basis of Arriving at the Purchase Consideration

The Purchase Consideration of RM1.0 million was arrived at following negotiations between Priva and the Vendors on a willing buyer-willing seller basis after taking into consideration the growth and future prospects of IPSAT in the high speed internet broadband industry.

2.3 Liabilities to be assumed by Priva

Save for the liabilities in the audited accounts of IPSAT, there are no other liabilities, including contingent liabilities and/or guarantees to be assumed by Priva arising from the Proposed Acquisition.

2.4 Sources of funds

The Proposed Acquisition will be funded by internally generated funds of the Priva Group.

2.5 Original Cost and Date of Investment

The original cost and date of investment of the Vendors in IPSAT are as follows:-

Date	Details	Amount RM
17 April 2003	100 IPSAT Shares	100
23 December 2003	149,900 IPSAT Shares	149,900
14 July 2004	150,000 IPSAT Shares	150,000
7 January 2005	200,000 IPSAT Shares	200,000

3. Salient terms of the Share Sale Agreement

3.1 Conditions Precedent

The Share Sale Agreement is conditional upon the following conditions precedent being met within 30 days from the date of the Share Sale Agreement ("Cut-off Date"):-

- i. Priva shall have carried out a legal, operational, financial and tax due diligence review on the IPSAT, its respective assets and businesses at the Priva's own cost and expense within thirty (30) days from the date of the Share Sale Agreement (or such other extended period as may be agreed to between the parties) and Priva is reasonably satisfied that the businesses and operations of IPSAT have been carried out in the ordinary course of business and that there is no breach of the Vendor's warranties;
- ii. the approval or waiver of any regulatory requirement by the Ministry of International Trade and Industry and/ or any other relevant government authorities or statutory bodies, if required;
- iii. the approval of the other shareholders of IPSAT for the sale and purchase transaction contemplated under the Share Sale Agreement;
- iv. the approval of the board of directors of IPSAT for the sale and purchase transaction contemplated under the Share Sale Agreement;
- v. the approval of the board of directors of the Priva for the sale and purchase transaction contemplated under the Share Sale Agreement;
- vi. the approval of the shareholders of the Priva for the sale and purchase transaction contemplated under the Share Sale Agreement (if required);
- vii. the waiver in writing by the other shareholder that all its rights of pre-emption over the Sale Shares conferred either by the Memorandum and Articles of Association of IPSAT or in any other way are waived in favour of Priva;
- viii. any other consents or approvals required for the transfer of the Sale Shares and in respect of the business and operations of IPSAT from relevant Malaysian regulatory authorities or statutory bodies which are otherwise found to be required during the course of the due diligence review;
- ix. there being no Force Majeure Event which materially and adversely affects the business or financial or trading position or prospects of IPSAT or the rights of Priva or its nominee as shareholders or any of the transactions contemplated in the Share Sale Agreement; and
- x. all the tax matters (including but not limited to corporate and indirect tax) as at the date of the Share Sale Agreement shall be settled by the Vendor and the existing shareholders of IPSAT.

3.2 Terms of Payment

The Purchase Consideration shall be satisfied by way of :

- i. the payment to the Vendor of the refundable sum of RM250,000 as deposit and part payment of the Purchase Consideration upon execution of the Share Sale Agreement ("the Deposit") subject to the provisions in the Share Sale Agreement; and
- ii. the payment of the balance sum of RM400,000 within 30 days from the day when the last of all the Conditions Precedent have been fulfilled ("Completion Date") ("the Balance Purchase Price") subject always to the price adjustment mechanism set out below by way of:-
 - a. RM250,000 via cheque or bankdraft, payable to the Vendor; and
 - b. RM150,000 payable to IPSAT on behalf of Lu Pak Lim by increasing the paid

up capital of the IPSAT.

- iii. The Purchaser will subscribe for a further 350,000 new IPSAT Shares by paying RM350,000 to IPSAT.

3.3 Profit Guarantee

The Vendors hereby guarantee Priva that the audited profit after tax ("PAT") of IPSAT for the year 2010 shall be not less than RM500,000("Profit Guarantee").

- i. In the event that IPSAT suffers a loss at the end of year 2010, the maximum amount payable to the Purchaser shall be RM500,000;
- ii. In the event that the Profit Guarantee shall not have been met, the Purchaser shall give prior notice to the Vendors, informing the Vendors of the shortfall in the Profit Guarantee. Thereafter, each and every vendor shall be liable to IPSAT to settle the shortfall in the Profit Guarantee in the following manner:-
 - a. within 14 days from the date of the Purchaser's notice, a cheque for the sum equivalent to the shortfall in the Profit Guarantee, being the difference between the Profit Guarantee and the actual audited PAT of IPSAT for year 2010.
 - b. if the payment is not received by IPSAT upon expiry of 14 days of the Purchaser's notice in section (a) above, the Purchaser is irrevocably authorized by the Vendor to instruct the Purchaser's solicitors to deliver such proportion of the Security Shares held in escrow to the Purchaser to off-set the shortfall between the Profit Guarantee and the actual audited PAT of IPSAT for year 2010. The amount of security shares to be offset against the shortfall shall be determined based on the net tangible asset per share as at 31 December 2010 or the initial acquisition price per share as at the date of the Share Sale Agreement, whichever is higher.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The principal activity of Priva is investment holding and its subsidiaries are principally engaged in provision of system integration services for ports and logistics, IT outsourcing, e-procurement and wireless communications solutions.

Upon completion of the Proposed Acquisition, IPSAT shall be a 70% owned subsidiary of Priva, and this will enable the Company to expand its offering of communications-related infrastructure outsourcing services to include the communication sector. In addition, the existing business of IPSAT which focuses on satellite-based services complements the existing range of ground-based communications infrastructure solutions of the Priva Group.

Further, Priva will be able to consolidate the profits of IPSAT which is expected to contribute positively to the earnings of the Priva Group.

5. PROSPECTS OF IPSAT

IPSAT provides a broad spectrum of satellite-based network solutions, ranging from managed network services to high speed internet access. IPSAT specializes in Very Small Aperture Terminal ("VSAT") communication, both in KU-Band and C-Band Services. IPSAT also offers a wide range of value-added broadband applications, such as Voice Over Internet Protocol ("VoIP"), online education, video conferencing and satellite Internet Protocol Virtual Private

Network ("IP VPN") services.

At present, IPSAT's infrastructure is available to customers throughout East and West Malaysia. IPSAT clientele includes plantations and agro based businesses with geographically-spread operations and the underserved rural/ sub urban locations.

The Proposed Acquisition is expected to enhance the position of the Priva Group as a total Information Communications Technology outsourcing solutions provider and to expand its existing clientele and resource base.

The pooling of expertise and knowledge base between Priva and IPSAT for a more efficient and effective deployment of resources will result in enhanced delivery capabilities on existing and new projects.

6. RISK FACTORS

6.1 Acquisition Risk

There is no assurance that the anticipated benefits of the Proposed Acquisition will be realized or that the Priva Group will be able to generate sufficient revenues and projects from the Proposed Acquisition to offset the acquisition costs. There is also no assurance that the IPSAT is able to maintain or improve the standards of quality and services of the IPSAT's business.

To mitigate this risk, the IPSAT will actively manage its clients' expectations and keep pace with rapid changes in IT industrial trends as well as establish and maintain strong business relationship with its existing clients. In addition, IPSAT will carry out R&D activities to enhance existing and develop new application software and improve the mode of delivery of its applications and services to its clients.

6.2 Political, economic and regulatory considerations

Like all business entities, changes in political, economic and regulatory conditions in Malaysia could materially and adversely affect the financial and business prospects for the Priva Group. Amongst the political, economic and regulatory uncertainties are the changes in nullification of existing sales orders and contracts, changes in interest rates and method of taxation and currency exchange rules and contracts.

The Priva Group may continue to take effective measures to mitigate such risks. However, there is no assurance that adverse economic, political and regulatory conditions will not materially affect the business activities of the Priva Group.

7. EFFECTS OF THE PROPOSED ACQUISITION

The Proposed Acquisition will not have any effect on the share capital and substantial shareholders' shareholdings of Priva as the Proposed Acquisition will be fully satisfied in cash. In addition, the Proposed Acquisition is not expected to have a material effect on the earnings per share, net assets per share and gearing of the Priva Group for the financial year ending 31 December 2009. Barring any unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the Priva Group's earnings in the future.

8. PERCENTAGE RATIO

Based on the Purchase Consideration, the highest percentage ratio applicable to the Proposed

Acquisition pursuant to paragraph 10.02(g) of the Ace Market Listing Requirements is 1.79% based on the proforma consolidated balance sheets of the Priva Group as at 31 December 2007.

9. APPROVALS REQUIRED

The Proposed Acquisition does not require the approval of the shareholders of the Company or any other regulatory bodies' approval.

10. DIRECTORS AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and/or substantial shareholders of the Company and/or persons connected to them have any interests, direct or indirect, in the Proposed Acquisition.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances, the Proposed Acquisition is expected to be completed by the end of 2009.

12. DIRECTORS' RECOMMENDATION

The Board of Directors of Priva, having considered all aspects of the Proposed Acquisition, is of the opinion that the proposal is fair and reasonable and is in the best interest of Priva and its shareholders and none of the Directors have disagreed with this statement.

13. DOCUMENTS FOR INSPECTION

The Share Sale Agreement will be made available for inspection at the registered office of Priva at 13A Jalan SS21/56B, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan during normal office hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 1 December 2009.