

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

Interim financial statements
for the period ended 31 March 2014

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Interim financial statements**Unaudited condensed consolidated statements of financial position as at 31 March 2014**

	As at 31.03.2014	As at 31.12.2013
	RM	RM
Assets		
Property, plant and equipment	29,322,905	27,553,072
Investment property	4,345,281	4,357,223
Intangible assets	36,858,765	36,907,700
Total non-current assets	<u>70,526,951</u>	<u>68,817,995</u>
Inventories	2,480,436	2,482,226
Work-in-progress	1,340,792	3,703,384
Tax recoverable	480,105	135,033
Trade and other receivables	17,384,790	19,460,738
Cash and cash equivalents	9,226,168	8,327,242
Total current assets	<u>30,912,291</u>	<u>34,108,623</u>
Total assets	<u><u>101,439,242</u></u>	<u><u>102,926,618</u></u>
Equity		
Share capital	55,820,002	55,820,002
Reserves	20,449,855	19,093,368
Equity attributable to owners of the Company	<u>76,269,857</u>	<u>74,913,370</u>
Non-controlling interests	201,015	281,753
Total equity	<u>76,470,872</u>	<u>75,195,123</u>
Liabilities		
Loans and borrowings	9,597,113	9,963,371
Deferred tax liabilities	1,637,992	1,345,563
Total non-current liabilities	<u>11,235,105</u>	<u>11,308,934</u>
Loans and borrowings	3,968,641	5,734,470
Trade and other payables	9,764,624	10,620,426
Taxation	-	67,665
Total current liabilities	<u>13,733,265</u>	<u>16,422,561</u>
Total liabilities	<u>24,968,370</u>	<u>27,731,495</u>
Total equity and liabilities	<u><u>101,439,242</u></u>	<u><u>102,926,618</u></u>
Net assets per share (RM)	<u>0.14</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 2013.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Interim financial statements**Unaudited condensed consolidated statements of profit or loss and other comprehensive income for the period ended 31 March 2014**

	Three months ended		1st Quarter ended	
	31 March		31 March	
	2014	2013	2014	2013
	RM	RM	RM	RM
Continuing operations				
Revenue	13,740,349	14,419,861	13,740,349	14,419,861
Cost of Sales	(8,024,550)	(9,032,631)	(8,024,550)	(9,032,631)
Gross profit	<u>5,715,799</u>	<u>5,387,230</u>	<u>5,715,799</u>	<u>5,387,230</u>
Other income	117,524	76,222	117,524	76,222
Other operating expenses	(3,452,108)	(2,518,845)	(3,452,108)	(2,518,845)
Results from operating activities	<u>2,381,215</u>	<u>2,944,607</u>	<u>2,381,215</u>	<u>2,944,607</u>
Finance income	13,563	53,863	13,563	53,863
Finance costs	(236,426)	(316,051)	(236,426)	(316,051)
Net finance costs	<u>(222,863)</u>	<u>(262,188)</u>	<u>(222,863)</u>	<u>(262,188)</u>
Profit before tax	<u>2,158,352</u>	<u>2,682,419</u>	<u>2,158,352</u>	<u>2,682,419</u>
Tax expense	(882,603)	(891,509)	(882,603)	(891,509)
Net profit for the period	<u>1,275,749</u>	<u>1,790,910</u>	<u>1,275,749</u>	<u>1,790,910</u>
Comprehensive income for the period	<u>1,275,749</u>	<u>1,790,910</u>	<u>1,275,749</u>	<u>1,790,910</u>
Profit /(loss) attributable to:				
Owner of the company	1,356,487	1,836,150	1,356,487	1,836,150
Non-controlling interest	(80,738)	(45,240)	(80,738)	(45,240)
Profit for the period	<u>1,275,749</u>	<u>1,790,910</u>	<u>1,275,749</u>	<u>1,790,910</u>
Comprehensive income / (loss) for the period				
Owner of the company	1,356,487	1,836,150	1,356,487	1,836,150
Non-controlling interest	(80,738)	(45,240)	(80,738)	(45,240)
Comprehensive income for the period	<u>1,275,749</u>	<u>1,790,910</u>	<u>1,275,749</u>	<u>1,790,910</u>
Basic earnings per ordinary shares (sen)				
From continuing operations	<u>0.23</u>	<u>0.32</u>	<u>0.23</u>	<u>0.32</u>
Diluted earnings per ordinary shares (sen)				
From continuing operations	<u>0.23</u>	<u>0.32</u>	<u>0.23</u>	<u>0.32</u>

The interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Interim financial statements**Unaudited condensed consolidated statement of changes in equity for the period ended 31 March 2014**

	<-----Attributable to owners of the Company----->			Non- controlling Interests	Total equity
	Non-distributable Share capital	Distributable Retained earnings	Subtotal		
<i>(all in RM)</i>					
At 1 January 2013	55,820,002	15,151,718	70,971,720	(19,818)	70,951,902
Net profit / (loss) for the year	-	5,361,259	5,361,259	56,562	5,417,821
Total comprehensive income / (loss) for the year	-	5,361,259	5,361,259	56,562	5,417,821
Dividends paid	-	(1,674,600)	(1,674,600)	-	(1,674,600)
Change in ownership interests in subsidiary	-	254,991	254,991	245,009	500,000
As 31 December 2013	55,820,002	19,093,368	74,913,370	281,753	75,195,123
At 1 January 2014	55,820,002	19,093,368	74,913,370	281,753	75,195,123
Net profit / (loss) for the period	-	1,356,487	1,356,487	(80,738)	1,275,749
Total comprehensive income / (loss) for the period	-	1,356,487	1,356,487	(80,738)	1,275,749
As 31 March 2014	55,820,002	20,449,855	76,269,857	201,015	76,470,872

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Interim financial statements**Unaudited condensed consolidated statement of cash flows for the period ended 31 March 2014**

	Three months ended 31.03.2014	Three months ended 31.03.2013
Cash flow from operating activities		
Profit before taxation	2,158,352	2,682,419
<i>Adjustment for :</i>		
Amortisation of intangible assets	124,015	385,876
Depreciation of investment property	11,942	11,941
Depreciation of property, plant and equipment	1,783,242	1,574,102
Finance income	(13,563)	(53,863)
Finance costs	236,426	316,051
Reversal of impairment loss on trade receivables	(4,000)	-
Property, plant and equipment written off	8,388	-
Unrealised loss on foreign exchange	7,236	-
Operating profit before changes in working capital	<u>4,312,038</u>	<u>4,916,526</u>
Change in work-in progress	2,362,595	(626,401)
Change in trade and other receivables	2,072,708	4,109,407
Change in inventories	1,459	24,489
Change in trade and other payables	(855,803)	(428,662)
Cash generated from operations	<u>7,892,997</u>	<u>7,995,359</u>
Tax refunded	-	5,931
Tax paid	(1,002,908)	(568,188)
Interest received	13,563	53,863
Net cash generated from operating activities	<u>6,903,652</u>	<u>7,486,965</u>
Cash flow from investing activities		
Proceeds from disposal of property, plant and equipment	-	42,944
Acquisition of intangible assets	(75,080)	(177,762)
Acquisition of property, plant and equipment	(3,561,133)	(3,889,001)
Net cash used in investing activities	<u>(3,636,213)</u>	<u>(4,023,819)</u>
Cash flow from financing activities		
Finance costs	(236,426)	(316,051)
Decrease in pledged deposits	492,850	215,945
Repayment of loans and borrowings	(2,132,087)	(2,052,443)
Net cash used in financing activities	<u>(1,875,663)</u>	<u>(2,152,549)</u>
Net increase in cash and cash equivalent	1,391,776	1,310,597
Cash and cash equivalents at 1 January	6,397,228	11,078,907
Cash and cash equivalents at 31 March	<u>7,789,004</u>	<u>12,389,504</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:

	Three months ended 31.03.2014 RM	Three months ended 31.03.2013 RM
Cash and bank balance	4,396,862	5,451,267
Deposit with licensed bank	4,829,306	8,794,377
	<u>9,226,168</u>	<u>14,245,644</u>
Less: Deposit pledged	(1,437,164)	(1,856,140)
	<u>7,789,004</u>	<u>12,389,504</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.

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 2013.

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 31 March 2014.

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 2013.

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 2013.

During the three months ended 31 March 2014 management reassessed its estimates in respect of :-

- i) Impairment losses on trade receivables
- ii) Deferred tax assets
- iii) 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

No dividend has been recommended by the directors or paid on Quarter 1 2014.

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 31 March 2014 is as follows:-

	OSD RM	E-PROC RM	CDIST RM	CSERV RM	SAT RM	ELIMINATION RM	Total RM
Total segment revenue - external	7,258,464	2,241,547	9,549	1,999,507	2,746,820	(515,538)	13,740,349
Segment results	2,498,378	2,029,209	3,322	367,903	821,045	(4,058)	5,715,799
Other income							117,524
Other operating expenses							(3,452,108)
Results from operating activities							2,381,215
Finance income							13,563
Finance costs							(236,426)
Tax expense							(882,603)
Net profit for the period							1,275,749
Segment assets	58,404,375	2,235,277	5,572,699	6,352,576	7,282,352	(38,178,648)	41,668,631
Unallocated assets							59,770,611
Total assets							101,439,242
Segment liabilities	18,400,584	-	5,008,672	11,682,497	3,484,875	(15,848,964)	22,727,664
Unallocated liabilities							2,240,706
Total liabilities							24,968,370

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

The Company had on 02 April 2014 entered into an Investment Agreement with Hubwire Sdn. Bhd. for the subscription of 2,500 ordinary shares of RM1.00 each for a purchase consideration of RM500,000.

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 first quarter ended 31 March 2014 (1Q14), group revenue declined 4.7% to RM13.7 million from RM14.4 million previously. This was largely due to slower billings and project completion from the Outsourcing and Consulting (OSD) business segment, and lower sales in the ICT Distribution (CDIST) and E-Procurement (E-PROC) segments.

Higher revenue from satellite-based network services (SAT) and ICT Services (CSERV) segments mitigated the dip.

The Group's operating expenditure increased in 1Q14 as a result of expanding into new areas and larger workforce. Consequently, the Group's 1Q14 profit before tax (PBT) and net profit standing at RM2.2 million and RM1.3 million respectively. By comparison, 1Q13 PBT and net profit were recorded at RM2.7 million and RM1.8 million respectively.

Comparison with preceding quarter

In comparison to the preceding quarter ended 31 December 2013 (4Q13), 1Q14 group revenue was 9.3% lower at RM13.7 million compared to RM15.1 million previously.

Group's higher OPEX saw 1Q14 PBT dip 24.1% to RM2.2 million from RM2.9 million in the preceding quarter. 1Q14 net profit was at RM1.4 million versus RM1.9 million in 4Q13.

14 Future prospects

The Group remains confident of our prospects in FY2014.

The anticipated high cost for corporations to build and maintain an ICT department, together with the necessary technology upgrades, make the ICT outsourcing option viable for the long-term. At the same time, the Government's constant encouragement to incentivise corporations to adopt ICT solutions for productivity and efficiency bode well for the overall ICT sector.

We intend to capture this demand by intensifying our business development efforts and targeting key customer sectors. Coupled with our OSD order book of RM137.8 million till 2020, we are well placed to seize the opportunities that come our way.

15 Income tax expenses

	Current quarter Three months ended 31 March	
	2014 RM	2013 RM
Current tax		
-Current year	590,174	960,963
-Prior year	-	(4,352)
	<hr/>	<hr/>
	590,174	956,611
Deferred tax		
Origination and reversal of temporary differences	292,429	(65,102)
	<hr/>	<hr/>
Tax expenses from continuing operations	<u>882,603</u>	<u>891,509</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 first Early Evaluation session took place on 27 March 2014 and the matter is now reverted back to the trial judge. The Court will inform on the next case management date.

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 2013 was not qualified.

21 Profit for the period

	Three months ended 31 March	
	2014	2013
Profit for the period is arrived at after charging:		
Amortisation of intangible assets	99,056	218,964
Amortisation of development cost	24,959	166,912
Depreciation of investment properties	11,942	11,941
Depreciation of property, plant and equipment	1,783,242	1,574,102
Property, plant and equipment written off	8,388	-
Reversal of impairment loss on trade receivables	(4,000)	-
Unrealised loss on foreign exchange	7,236	-
	<hr/>	<hr/>

22 Derivative financial instruments

The Group does not have any derivative financial instruments for the current quarter ended 31 March 2014.

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

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 31 March 2014.

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.

	Three months ended 31.03.2014
Profit attributable to equity holders (RM)	1,356,487
Profit attributable to non-controlling interests (RM)	(80,738)
Profit for the period (RM)	<u>1,275,749</u>
Weighted average number of ordinary shares in issue (units)	558,200,020
Basic earnings per share (sen)	<u><u>0.23</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	
	31.03.2014	31.12.2013
	RM	RM
Total retained profits of Privasia Technology Berhad and its subsidiaries		
- Realised	9,925,393	8,364,004
- Unrealised	<u>(1,789,543)</u>	<u>(1,503,903)</u>
	8,135,850	6,860,101
Total share of loss from associated company:		
- Realised	-	(30)
Add: Consolidation adjustments	12,314,005	12,233,297
Total group retained profits as per consolidated interim financial statements	<u><u>20,449,855</u></u>	<u><u>19,093,368</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 29 May 2014.