

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

Interim financial statements
for the period ended 30 June 2013

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Interim financial statements**Unaudited condensed consolidated statements of financial position**

	As at 30.06.2013	As at 31.12.2012
	RM	RM
Assets		
Property, plant and equipment	26,281,692	21,225,541
Investment property	4,381,108	6,362,764
Intangible assets	37,924,468	38,280,246
Deferred tax asset	-	82,033
Total non-current assets	<u>68,587,268</u>	<u>65,950,584</u>
Inventories	1,516,046	1,654,320
Work-in-progress	6,524,601	1,856,888
Tax recoverable	40,309	9,248
Trade and other receivables	20,629,003	26,524,958
Cash and cash equivalents	12,565,060	13,150,993
Total current assets	<u>41,275,019</u>	<u>43,196,407</u>
Total assets	<u>109,862,287</u>	<u>109,146,991</u>
Equity		
Share capital	55,820,002	55,820,002
Reserves	18,339,115	15,151,718
Equity attributable to owners of the Company	<u>74,159,117</u>	<u>70,971,720</u>
Non-controlling interests	(68,327)	(19,818)
Total equity	<u>74,090,790</u>	<u>70,951,902</u>
Liabilities		
Loans and borrowings	11,084,446	16,021,221
Deferred tax liabilities	156,185	126,925
Total non-current liabilities	<u>11,240,631</u>	<u>16,148,146</u>
Loans and borrowings	8,893,725	8,090,910
Trade and other payables	13,800,602	12,728,148
Taxation	1,836,539	1,227,885
Total current liabilities	<u>24,530,866</u>	<u>22,046,943</u>
Total liabilities	<u>35,771,497</u>	<u>38,195,089</u>
Total equity and liabilities	<u>109,862,287</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 June		Six Months ended 30 June	
	2013	2012	2013	2012
	RM	RM	RM	RM
Continuing operations				
Revenue	14,965,935	14,229,218	29,385,796	24,791,875
Cost of Sales	(9,617,190)	(8,789,417)	(18,649,821)	(15,869,898)
Gross profit	<u>5,348,745</u>	<u>5,439,801</u>	<u>10,735,975</u>	<u>8,921,977</u>
Other income	54,023	84,703	130,245	155,951
Other operating expenses	(2,896,766)	(2,979,700)	(5,415,611)	(5,039,153)
Results from operating activities	<u>2,506,002</u>	<u>2,544,804</u>	<u>5,450,609</u>	<u>4,038,775</u>
Finance income	56,601	22,802	110,464	45,174
Finance costs	(286,977)	(369,298)	(603,028)	(769,603)
Net finance costs	<u>(230,376)</u>	<u>(346,496)</u>	<u>(492,564)</u>	<u>(724,429)</u>
Profit before tax	<u>2,275,626</u>	<u>2,198,308</u>	<u>4,958,045</u>	<u>3,314,346</u>
Tax expense	(927,647)	(772,307)	(1,819,156)	(2,209,907)
Profit for the period	<u>1,347,979</u>	<u>1,426,001</u>	<u>3,138,889</u>	<u>1,104,439</u>
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
Fair value of available-for-sale financial assets	-	8,187	-	18,417
Total other comprehensive income for the period, net of tax	<u>-</u>	<u>8,187</u>	<u>-</u>	<u>18,417</u>
Comprehensive income for the period	<u>1,347,979</u>	<u>1,434,188</u>	<u>3,138,889</u>	<u>1,122,856</u>
Profit/(loss) attributable to:				
Owner of the company	1,351,247	1,374,232	3,187,397	1,052,670
Non-controlling interest	(3,268)	51,769	(48,508)	51,769
Profit for the period	<u>1,347,979</u>	<u>1,426,001</u>	<u>3,138,889</u>	<u>1,104,439</u>
Comprehensive income / (loss) for the period				
Owner of the company	1,351,247	1,382,419	3,187,397	1,071,087
Non-controlling interest	(3,268)	51,769	(48,508)	51,769
Comprehensive income for the period	<u>1,347,979</u>	<u>1,434,188</u>	<u>3,138,889</u>	<u>1,122,856</u>
Basic earnings per ordinary shares (sen)				
From continuing operations	<u>0.24</u>	<u>0.26</u>	<u>0.56</u>	<u>0.20</u>
Diluted earnings per ordinary shares (sen)				
From continuing operations	<u>0.24</u>	<u>0.26</u>	<u>0.56</u>	<u>0.20</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 June 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	-	-	3,187,397	3,187,397	(48,508)	3,138,889
Total comprehensive income / (loss) for the period	-	-	3,187,397	3,187,397	(48,508)	3,138,889
As 30 June 2013	55,820,002	-	18,339,115	74,159,117	(68,327)	74,090,790

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**

	Six months ended 30.06.2013 RM	Six months ended 30.06.2012 RM
Cash flow from operating activities		
Profit before taxation	4,958,045	3,314,346
<i>Adjustment for :</i>		
Amortisation of development costs	437,927	484,023
Amortisation of intangible assets	212,542	312,388
Depreciation of investment property	34,498	34,316
Depreciation of property, plant and equipment	3,081,698	3,413,406
Finance income	(110,464)	(45,174)
Finance expenses	603,028	769,603
Gain on disposal of property, plant & equipment	-	(13,584)
Provision for doubtful debts	42,542	164,669
Unrealised gain on foreign exchange	(78,084)	-
Operating profit before changes in working capital	<u>9,181,732</u>	<u>8,433,993</u>
Change in work-in progress	(4,667,712)	(542,556)
Change in receivables and prepayments	5,931,492	(774,261)
Change in inventories	138,275	20,417
Change in payables and accruals	1,072,454	340,015
Cash generated from operations	<u>11,656,241</u>	<u>7,477,608</u>
Tax refunded	5,936	-
Tax paid	(1,136,203)	(245,414)
Interest received	110,464	45,174
Net cash generated from operating activities	<u>10,636,438</u>	<u>7,277,368</u>
Cash flow from investing activities		
Development costs	-	(44,628)
Proceeds for disposal of property, plant and equipment	-	267,615
Acquisition of intangible assets	(294,692)	(3,003)
Acquisition of property, plant and equipment	(6,190,691)	(1,881,762)
Acquisition of interest in subsidiary	-	(1,113,179)
Net cash used in investing activities	<u>(6,485,383)</u>	<u>(2,774,957)</u>
Cash flow from financing activities		
Interest paid	(603,028)	(769,603)
Dividends paid	-	(45,391)
Decrease in pledged deposits	354,837	231
Change in fair value of available-for-sale financial assets	-	(2,178)
Repayment of loans and borrowings	(4,133,960)	(3,883,952)
Net cash used in financing activities	<u>(4,382,151)</u>	<u>(4,700,893)</u>
Net decrease in cash and cash equivalent	(231,096)	(198,482)
Cash and cash equivalents at 1 January	11,078,907	7,196,552
Cash and cash equivalents at 30 June	<u>10,847,811</u>	<u>6,998,070</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:

	Six months ended 30.06.2013 RM	Six months ended 30.06.2012 RM
Cash and bank balance	5,753,824	3,703,664
Deposit with licensed bank	<u>6,811,236</u>	<u>4,351,899</u>
	12,565,060	8,055,563
Less: Deposit pledged	<u>(1,717,249)</u>	<u>(1,057,493)</u>
	<u>10,847,811</u>	<u>6,998,070</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 June 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 six months ended 30 June 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

On 24 June 2013, a payment of a Single Tier Tax Exempt Final Dividend of 0.30 sen per ordinary share in respect of the financial year ended 31 December 2012 has been approved in the Fifth Annual General Meeting. A total of RM1,674,600.06 was paid on 18 July 2013.

No dividend has been recommended by the directors or paid for the financial period ended 30 June 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 June 2013 is as follows:-

	OSD RM	E-PROC RM	CDIST RM	CSERV RM	SAT RM	ELIMINATION RM	Total RM
Total segment revenue - external	19,151,001	4,350,828	628,681	1,007,931	4,500,641	(253,287)	29,385,796
Segment results	4,532,697	3,789,470	154,366	454,126	1,827,047	(21,729)	10,735,975
Other income							130,245
Other operating expenses							(5,415,611)
Results from operating activities							5,450,609
Interest income							110,464
Finance costs							(603,028)
Tax expense							(1,819,156)
Net profit for the period							3,138,889
Segment assets	65,847,800	2,574,125	6,519,770	7,530,692	6,703,985	(38,316,453)	50,859,919
Unallocated assets							59,002,368
Total assets							109,862,287
Segment liabilities	29,092,413	-	5,140,809	15,366,372	3,171,654	(17,955,330)	34,815,917
Unallocated liabilities							955,580
Total liabilities							35,771,497

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.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Notes to the condensed consolidated interim financial statements**10 Change in composition of the Group**

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.

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 second quarter ended 30 June 2013 (2Q13) group total revenue increased 5.2% to RM15.0 million from RM14.2 million in the corresponding quarter of the previous year. The increase was primarily due to higher sales from the group's Outsourcing and Consulting division (OSD) which contributed RM10.0 million or 66% of 2Q13 group revenue.

2Q13 group profit before tax (PBT) was 3.5% higher at RM2.3 million compared to RM2.2 million previously. The Group net profit was sustained at RM1.3 million.

For the cumulative six months ended 30 June 2013 (1H13), group revenue jumped 18.5% year-on-year to RM29.4 million from RM24.8 million previously, attributable mainly to the growth in the OSD segment sales.

Group profitability continued to improve in 1H13, jumping 49.6% to RM5.0 million versus RM3.3 million previously. Net profit improved significantly to RM3.1 million from RM1.1 million previously.

Comparison with preceding quarter

In comparison with the preceding quarter ended 31 March 2013 (1Q13), group revenues were sustained at RM15.0 million from RM14.4 million.

Profit before tax and net profit for 2Q13 declined to RM2.3 million and RM1.3 million from RM2.7 million and RM1.8 million, resulting from higher costs of sales and operating expenses.

14 Future prospects

The Group still remains optimistic of its business outlook, given the expectations of improved ICT spending in the second half of the financial year, post-General Elections.

Moving forward, we intend to continue growing our business segments, namely in the Information and Communication Technologies (CDIST) and Satellite based network services (SAT) in light of tremendous potential in both these sectors. To this end, we have signed on a distribution agreement with a major player in the industry to supply telecommunications-related network equipment to the domestic market, and will be looking to add more brands into our portfolio in the future.

These developments in the pipeline will complement our OSD order book of RM137.5 million which will contribute to the Group until the year 2020.

15 Income tax expenses

	Current quarter		2nd quarter	
	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RM	RM	RM	RM
Current tax				
-Current year	751,252	1,233,635	1,884,260	1,950,822
Deferred tax				
Origination and reversal of temporary differences	176,395	(461,328)	(65,103)	259,085
Tax expenses from continuing operations	<u>927,647</u>	<u>772,307</u>	<u>1,819,156</u>	<u>2,209,907</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 claim has since been allocated for Court mention and parties are still at the stage of filing and exchanging relevant cause papers.

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.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Notes to the condensed consolidated interim financial statements**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

	Six months ended 30 June	
	2013	2012
Profit for the period is arrived at after charging:		
Amortisation of development costs	437,927	484,023
Amortisation of intangible assets	212,542	312,388
Depreciation of investment properties	34,498	34,316
Depreciation of property, plant and equipment	3,081,698	3,413,406
Provision for doubtful debts	42,542	164,669
	<hr/>	<hr/>
and after crediting:		
Gain on disposal of property, plant and equipments	-	13,584
Unrealised gain on foreign exchange	78,084	-
	<hr/>	<hr/>

22 Derivative financial instruments

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

	Six months ended 30.06.2013
Profit attributable to equity holders	3,187,397
Loss attributable to non-controlling interests	(48,508)
	<hr/>
Profit for the period (RM)	3,138,889
Weighted average number of ordinary shares in issue	558,200,020
	<hr/>
Basic earnings per share (sen)	0.56
	<hr/>

(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	
	30.06.2013	31.12.2012
	RM	RM
Total retained profits of Privasia Technology Berhad and its subsidiaries		
- Realised	3,367,748	360,157
- Unrealised	2,576,891	2,375,818
	<hr/>	<hr/>
	5,944,639	2,735,975
Add: Consolidation adjustments	12,394,475	12,415,743
	<hr/>	<hr/>
Total group retained profits as per consolidated interim financial statements	18,339,115	15,151,718
	<hr/>	<hr/>

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 23rd August 2013.