

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

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

	As at 30.06.2016	As at 31.12.2015
	RM	RM
Assets		
Property, plant and equipment	31,980,339	29,763,142
Investment properties	2,354,336	4,261,689
Intangible assets	37,783,380	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>73,692,042</u>	<u>72,912,399</u>
Inventories	2,405,049	3,218,269
Tax recoverable	1,587,858	1,312,609
Trade receivables	23,065,975	25,354,111
Unbilled revenue	7,021,939	3,273,209
Other receivables, deposits and prepayments	8,950,976	6,930,587
Cash and cash equivalents	7,489,824	9,225,227
Total current assets	<u>50,521,621</u>	<u>49,314,012</u>
Total assets	<u><u>124,213,663</u></u>	<u><u>122,226,411</u></u>
Equity		
Share capital	55,820,002	55,820,002
Reserves	26,662,181	25,625,464
Equity attributable to owners of the Company	<u>82,482,183</u>	<u>81,445,466</u>
Non-controlling interests	(469,407)	(609,480)
Total equity	<u>82,012,776</u>	<u>80,835,986</u>
Liabilities		
Loans and borrowings	8,017,612	9,448,752
Deferred tax liabilities	1,557,000	2,102,721
Total non-current liabilities	<u>9,574,612</u>	<u>11,551,473</u>
Loans and borrowings	2,886,044	3,021,053
Trade payables	16,060,952	18,936,262
Other payables and accruals	13,646,279	7,848,637
Taxation	33,000	33,000
Total current liabilities	<u>32,626,275</u>	<u>29,838,952</u>
Total liabilities	<u>42,200,887</u>	<u>41,390,425</u>
Total equity and liabilities	<u><u>124,213,663</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 June 2016**

	Three Months ended 30 June		Six Months ended 30 June	
	2016	2015	2016	2015
	RM	RM	RM	RM
Continuing operations				
Revenue	17,657,184	19,910,615	35,667,033	41,194,261
Cost of Sales	(12,241,789)	(12,504,812)	(24,606,155)	(26,601,304)
Gross profit	<u>5,415,395</u>	<u>7,405,803</u>	<u>11,060,878</u>	<u>14,592,957</u>
Other income	577,816	50,379	950,340	153,457
Operating expenses	(4,790,941)	(5,666,528)	(9,863,167)	(10,908,911)
Results from operating activities	<u>1,202,270</u>	<u>1,789,654</u>	<u>2,148,051</u>	<u>3,837,503</u>
Finance income	(4,272)	9,396	11,534	26,709
Finance costs	(101,491)	(169,492)	(200,252)	(287,987)
Net finance costs	<u>(105,763)</u>	<u>(160,096)</u>	<u>(188,718)</u>	<u>(261,278)</u>
Profit before tax	1,096,507	1,629,558	1,959,333	3,576,225
Tax expense	(614,554)	(700,000)	(782,543)	(1,400,000)
Net profit for the period	<u>481,953</u>	<u>929,558</u>	<u>1,176,790</u>	<u>2,176,225</u>
Comprehensive income for the period	<u>481,953</u>	<u>929,558</u>	<u>1,176,790</u>	<u>2,176,225</u>
Profit attributable to:				
Owner of the company	386,364	913,478	1,036,717	2,167,346
Non-controlling interest	95,589	16,080	140,073	8,879
Profit for the period	<u>481,953</u>	<u>929,558</u>	<u>1,176,790</u>	<u>2,176,225</u>
Comprehensive income for the period				
Owner of the company	386,364	913,478	1,036,717	2,167,346
Non-controlling interest	95,589	16,080	140,073	8,879
Comprehensive income for the period	<u>481,953</u>	<u>929,558</u>	<u>1,176,790</u>	<u>2,176,225</u>
Basic earnings per ordinary shares (sen)				
From continuing operations	<u>0.07</u>	<u>0.16</u>	<u>0.19</u>	<u>0.39</u>
Diluted earnings per ordinary shares (sen)				
From continuing operations	<u>0.07</u>	<u>0.16</u>	<u>0.19</u>	<u>0.39</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 June 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	-	2,167,346	2,167,346	8,879	2,176,225
Change in ownership interests in subsidiary	-	-	-	-	-
Dividends paid for the period	-	(1,395,500)	(1,395,500)	-	(1,395,500)
At 30 June 2015	<u>55,820,002</u>	<u>24,673,039</u>	<u>80,493,041</u>	<u>326,936</u>	<u>80,819,977</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	-	1,036,717	1,036,717	140,073	1,176,790
Change in ownership interests in subsidiary	-	-	-	-	-
Dividends paid for the period	-	-	-	-	-
At 30 June 2016	<u>55,820,002</u>	<u>26,662,181</u>	<u>82,482,183</u>	<u>(469,407)</u>	<u>82,012,776</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 June 2016**

	Six months ended 30.06.2016	Six months ended 30.06.2015
	RM	RM
Cash flow from operating activities		
Profit before taxation	1,959,333	3,576,225
<i>Adjustment for :</i>		
Amortisation of intangible assets	209,754	263,606
Depreciation of investment properties	23,884	23,884
Depreciation of property, plant and equipment	3,675,365	4,019,719
Finance income	(11,534)	(26,709)
Finance costs	200,252	287,987
Reversal of impairment loss on trade receivables	(142,959)	(312,250)
Property, plant and equipment written off	1,014	22,607
Unrealised gain on foreign exchange	(695,178)	-
Operating profit before changes in working capital	<u>5,219,931</u>	<u>7,855,069</u>
Change in inventories	(1,878,795)	(354,660)
Change in work-in progress	-	(1,112,351)
Change in trade and other receivables	(3,338,023)	(14,990,761)
Change in trade and other payables	3,617,509	5,143,447
Cash generated from/(used in) operations	<u>3,620,622</u>	<u>(3,459,256)</u>
Tax refunded	990	-
Tax paid	(1,604,503)	(1,315,079)
Interest received	11,534	26,709
Net cash generated from/(used) in operating activities	<u>2,028,643</u>	<u>(4,747,626)</u>
Cash flow from investing activities		
Acquisition of intangible assets	(679,552)	(246,406)
Acquisition of property, plant and equipment	(1,318,092)	(2,669,518)
Development costs	-	(337,447)
Net cash used in investing activities	<u>(1,997,644)</u>	<u>(3,253,371)</u>
Cash flow from financing activities		
Interest paid	(200,252)	(287,987)
(Decrease)/Increase in pledged deposits	(220,310)	(235,542)
(Decrease)/Increase of loans & borrowings	(1,465,006)	3,840,554
Net cash used in financing activities	<u>(1,885,568)</u>	<u>3,317,025</u>
Net decrease in cash and cash equivalent	<u>(1,854,569)</u>	<u>(4,683,972)</u>
Cash and cash equivalents at 1 January	<u>5,958,723</u>	<u>8,079,426</u>
Cash and cash equivalents at 30 June	<u>4,104,154</u>	<u>3,395,454</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:

	Six months ended 30.06.2016	Six months ended 30.06.2015
Fixed deposit with licensed banks	5,070,778	3,724,459
Cash and bank balances	<u>2,419,046</u>	<u>2,254,598</u>
Cash and cash equivalent as presented in the condensed consolidated statement of financial position	7,489,824	5,979,057
Less: Pledged deposits with licensed banks	<u>(3,385,670)</u>	<u>(2,583,603)</u>
Cash and cash equivalent as presented in the condensed consolidated statement of cash flows	<u>4,104,154</u>	<u>3,395,454</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 June 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 19 August 2016.

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

8 Loans and Borrowings

	30 June 2016 RM	Group 31 December 2015 RM
Non-current		
Secured term loans from licensed banks	7,220,425	7,826,161
Finance lease liabilities	797,187	1,622,591
	<u>8,017,612</u>	<u>9,448,752</u>
Current		
Secured term loans from licensed banks	1,216,446	1,190,024
Finance lease liabilities	1,669,598	1,729,886
Bank overdraft	-	101,143
	<u>2,886,044</u>	<u>3,021,053</u>
Total	<u>10,903,656</u>	<u>12,469,805</u>

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 quarterly 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 June 2016 is as follows:-

	IT RM	ICT RM	SAT RM	ELIMINATION RM	Total RM
Total segment revenue - external	18,249,066	11,737,789	6,020,042	(339,864)	35,667,033
Gross profit	8,522,379	2,514,829	34,206	(10,536)	11,060,878
Other income	84,354	173,875	692,111	-	950,340
Other operating expenses	(4,800,729)	(3,274,402)	(1,506,001)	(282,035)	(9,863,167)
Results from operating activities	3,806,004	(585,698)	(779,684)	(292,571)	2,148,051
Finance income					11,534
Finance costs					(200,252)
Tax expense					(782,543)
Net profit for the period					1,176,790
Segment assets	83,365,826	23,733,878	13,701,996	(62,099,752)	58,701,948
Unallocated assets					65,511,715
Total assets					124,213,663
Segment liabilities	30,306,302	31,189,342	14,500,319	(41,636,193)	34,359,770
Unallocated liabilities					7,841,117
Total liabilities					42,200,887

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 June 2016			
Financial liabilities			
Secured term loans from licensed banks	(8,436,871)	(8,436,871)	(8,436,871)
Finance lease liabilities	(2,443,325)	(2,443,325)	(2,466,785)
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

The Group's Satellite-based network services (SAT) segment continued to improve for the second quarter ended 30 June 2016 (2Q16) with revenue rising 11.3% to RM2.8 million from RM2.5 million previously.

Revenue from the Information Technology (IT) segment declined to RM8.9 million from RM11.3 million a year ago due to completion of a project in May 2016. Meanwhile, the Information and Communications Technology (ICT) segment was impacted by dampened market sentiments resulting in lower revenue of RM5.9 million versus RM6.1 million last year.

Overall, the performance of the three segments led to group topline reducing to RM17.7 million in 2Q16 as compared to RM19.9 million previously, while higher tax resulted in the Group's bottomline being at RM0.4 million in 2Q16 against RM0.9 million in 2Q15.

For the first half ended 30 June 2016 (1H16), net profit declined to RM1.0 million on revenue of RM35.7 million, against 1H15 net profit of RM2.2 million on revenue of RM41.2 million.

The topline decline in 1H16 was largely due to completion of a project in the IT segment and slower sales in the ICT segment leading to revenue of RM18.2 million and RM11.4 million respectively, versus RM22.4 million and RM13.5 million previously. On the other hand, the SAT segment grew by 11.3% to RM6.0 million from RM5.3 million a year ago.

Comparison with preceding quarter

Revenue in 2Q16 was 2.0% lower at RM17.7 million against RM18.0 million in the preceding quarter due to lower billings from the IT segment, as well as fewer sites from the SAT segment. This decline however was mitigated by stronger sales from the ICT segment.

2Q16 net profit reduced to RM0.4 million on higher deferred tax as compared to RM0.7 million in 1Q16.

16 Future prospects

The dampened corporate sentiments brought about by the weaker local economy continues to have an impact on the Group's business. We are aware of these challenging times and will continue to strive to secure new contracts under our IT segment and strengthen our orderbook of RM109 million which will last us till 2021.

Our satellite business is picking up pace in customer development and acquisition. We are hopeful of weathering through the storm of uncertainties.

17 Variance on Profit Forecast

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

18 Income tax expenses

	Current quarter ended 30 June		Cumulative quarter ended 30 June	
	2016 RM	2015 RM	2016 RM	2015 RM
Current tax				
- Current year	724,000	1,300,000	1,390,000	1,900,000
- Prior year	-	-	(61,736)	-
	<u>724,000</u>	<u>1,300,000</u>	<u>1,328,264</u>	<u>1,900,000</u>
Deferred tax				
Origination and reversal of temporary differences	(109,446)	(600,000)	(545,721)	(500,000)
	<u>614,554</u>	<u>700,000</u>	<u>782,543</u>	<u>1,400,000</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 qualified.

24 Profit for the period

	Current quarter ended 30 June		Cumulative quarter ended 30 June	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit for the period is arrived at after charging/ (crediting):				
Amortisation of intangible assets	126,432	121,727	209,754	263,605
Depreciation of investment properties	11,942	11,942	23,884	23,884
Depreciation of property, plant and equipment	1,869,409	1,918,290	3,675,365	4,019,719
Property, plant and equipment written off	-	-	1,014	22,607
Reversal of impairment loss on trade receivables	(142,959)	-	(142,959)	(4,000)
Impairment loss on trade receivables	-	308,250	-	308,250
Unrealised gain on foreign exchange	(386,200)	-	(695,178)	-
Realised loss on foreign exchange	(44,715)	-	93,588	-
Finance costs	101,491	169,492	200,252	287,987
Finance income	4,272	(9,396)	(11,534)	(26,709)

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 June		Cumulative quarter ended 30 June	
	2016 RM	2015 RM	2016	2015
Profit attributable to equity holders (RM)	386,364	913,478	1,036,717	2,167,346
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>0.07</u>	<u>0.16</u>	<u>0.19</u>	<u>0.39</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	14,298,230	14,362,339
- Unrealised	(640,928)	(1,881,827)
	<u>13,657,302</u>	<u>12,480,512</u>
Add: Consolidation adjustments	13,004,879	13,144,952
Total group retained profits as per consolidated interim financial statements	<u>26,662,181</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 25 August 2016.