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CORPORATE SECTION

FINANCIAL STATEMENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE FIFTH (5TH) ANNUAL GENERAL MEETING OF PRIVASIA TECHNOLOGY BERHAD ("PTB" or "THE COMPANY") WILL BE HELD AT UNIT C-21-04, 4TH FLOOR, DATARAN 3 DUA (3 TWO SQUARE), NO. 2, JALAN 19/1, 46300 PETALING JAYA, SELANGOR DARUL EHSAN ON MONDAY, 24 JUNE 2013 AT 10.00 A.M. FOR THE FOLLOWING PURPOSES:

	AGENDA	**Resolution No.**
	As Ordinary Business:	
1	To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2012 together with the Reports of the Directors and of the Auditors thereon. *Please refer to Explanatory Notes*	
2	To approve the payment of a Single Tier Tax Exempt Final Dividend of 0.30 sen per ordinary share for the financial year ended 31 December 2012 on 558,200,020 ordinary shares of RM0.10 each amounting to dividend payable of RM1,674,600.06.	1
3	To approve the payment of Directors' fees for the financial year ended 31 December 2012.	2
4	To re-elect Mr. Brian Wong Wye Pong retiring under the provision of Article 129 of the Articles of Association of the Company, and who, being eligible, has offered himself for re-election.	3
5	To re-elect Encik Mohd Aqliff Shane Abdullah retiring under the provision of Article 129 of the Articles of Association of the Company, and who, being eligible, has offered himself for re-election.	4
6	To re-appoint Messrs. KPMG as Auditors of the Company for the financial year ending 31 December 2013 and to authorise the Board of Directors to fix the Auditors' remuneration.	5

As Special Business:

To consider and, if thought fit, to pass the following resolutions:-

7	Ordinary Resolution: Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965. "**THAT** subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and regulatory authorities, the Directors be and are hereby empowered pursuant to section 132D of the Companies Act, 1965, to issue shares in the Company at such time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company."	6
8	To transact any other business of which due notice shall have been given.	

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Fifth (5th) Annual General Meeting, a Single Tier Tax Exempt Final Dividend of **0.30 sen** per ordinary share for the financial year ended **31 December 2012** on **558,200,020** ordinary shares of RM0.10 each amounting to dividend payable of **RM1,674,600.06** will be paid to the shareholders on 18th July 2013. The entitlement date of the said dividend shall be on 28th June 2013**.**

A Depositor shall qualify for entitlement to the dividend only in respect of :-

a. Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 28th June 2013 in respect of transfers.
b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order Of The Board,

WONG CHOW LAN (MAICSA 7012088)
FOO LI LING (MAICSA 7019557)
Company Secretaries

Petaling Jaya
Date : 31 May 2013

NOTES

1. A member of the Company entitled to attend and vote at the above Meeting ("Member") may appoint not more than two (2) proxies to attend and vote instead of him/her.

2. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specified the proportions of his/her shareholdings to be represented by each proxy.

3. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a Meeting shall have the same rights as the Member to speak at the Meeting.

4. Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

5. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

6. For a proxy form to be valid, it must be deposited at the Registered Office of the Company at 13A, Jalan SS21/56B, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty eight (48) hours before time appointed for the Meeting or any adjournments thereof.

7. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand a poll on behalf of the appointer.

General Meeting Record of Depositors

8. For purpose of determining who shall be entitled to attend this Meeting, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 17th June 2013 pursuant to Article 79 and paragraph 7.16 (2) of Bursa Malaysia Securities Berhad ACE Market Listing Requirements. A Depositor whose name appears as such Record of Depositors shall be entitled to attend this Meeting.

Explanatory Notes

Item 1 of the Agenda – To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2012 together with the Reports of the Directors and of the Auditors thereon.

This item is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require shareholders' approval for the audited financial statements. Therefore, this item will not be put forward for voting.

Ordinary Resolution

Resolution 6 – Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.

The proposed Resolution 6, if passed, will authorize the Directors to issue shares up to 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. The purpose for the renewal of a general mandate is to avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares for any possible fund raising activities (excluding placing of shares) for the purpose of funding further investment projects, additional working capital, acquisitions, etc.

This authority unless, revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

The Company did not issue any new shares pursuant to the mandate granted to the Directors at the last annual general meeting held on 25 June 2012 and which will lapse at the conclusion of the forthcoming annual general meeting.

STATEMENT ACCOMPANYING NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

1. The Directors who are standing for re-election at the Fifth Annual General Meeting ("AGM") are as follows:

   a) Mr. Brian Wong Wye Pong
   b) Encik Mohd Aqliff Shane Abdullah

   The details of the two (2) Directors seeking re-election or re-appointment are set in their respective profiles which appear on page 10 of this Annual Report.

2. The details of attendance of Directors of the Company at Board Meetings held during the financial year ended 31 December 2012 are disclosed in the Statement on Corporate Governance set out on page 14 of this Annual Report.

3. The details of the place, date and time of the Fifth AGM are as follows:

   Place : Unit C-21-04, 4th Floor
   Dataran 3 Dua (3 Two Square)
   No. 2, Jalan 19/1
   46300 Petaling Jaya
   Selangor Darul Ehsan

   Date : Monday, 24 June 2013

   Time : 10.00 a.m.

CORPORATE INFORMATION

Board Of Directors

DATUK ALI BIN ABDUL KADIR
(Chairman/Independent Non-Executive Director)

PUVANESAN A/L SUBENTHIRAN
(Chief Executive Officer/Managing Director)

ANDRE ANTHONY A/L HUBERT RENE
(Deputy Chief Executive Officer/Executive Director)

BRIAN WONG WYE PONG
(Independent Non-Executive Director)

ASGARI BIN MOHD FUAD STEPHENS
(Independent Non-Executive Director)

MOHD AQLIFF SHANE ABDULLAH
(Non-Independent Non-Executive Director)

Audit And Risk Management Committee

DATUK ALI BIN ABDUL KADIR (Chairman)
BRIAN WONG WYE PONG (Member)
ASGARI BIN MOHD FUAD STEPHENS (Member)

Nomination Committee

DATUK ALI BIN ABDUL KADIR (Chairman)
BRIAN WONG WYE PONG (Member)
ASGARI BIN MOHD FUAD STEPHENS (Member)

Remuneration Committee

BRIAN WONG WYE PONG (Chairman)
PUVANESAN A/L SUBENTHIRAN (Member)
MOHD AQLIFF SHANE ABDULLAH (Member)

Auditor

KPMG (AF 0758)
Chartered Accountants
Level 10, KPMG Tower, 8, First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
Tel: +603 7721 3388
Fax: +603 7721 3399

Principal Bankers

RHB BANK BERHAD
MALAYAN BANKING BERHAD

Registered Office

FASTRACK CORPORATE SERVICES (KL) SDN BHD (413401-K)
No. 13A, Jalan SS21/56B, Damansara Utama,
47400 Petaling Jaya, Selangor Darul Ehsan.
Tel: +603 7729 5912/5921
Fax: +603 7729 5904

Share Registrars

SYMPHONY SHARE REGISTRARS SDN BHD (378993-D)
Level 6, Symphony House, Block D13,
Pusat Dagangan Dana 1, Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: +603 7841 8000
Fax: +603 7841 8008

Company Secretaries

WONG CHOW LAN (MAICSA 7012088)
FOO LI LING (MAICSA 7019557)

Stock Exchange Listing

BURSA MALAYSIA SECURITIES BERHAD
Stock Name: PRIVA
Stock Code: 0123

Principal Place of Business

Unit C-21-05, Dataran 3 Dua, (3 Two Square)
No. 2, Jalan 19/1, Section 19, 46300
Petaling Jaya, Selangor Darul Ehsan.
Tel: +603 7967 9600
Fax: +603 7967 9799

Westports Site Office

Lot 19.1-19.2, 1st Floor,
Westports Business Centre,
42920 Pulau Indah,
Klang, Selangor Darul Ehsan.
Tel: +603 3101 1381
Fax: +603 3101 1554

Malacca Site Office

Suite 1.19,
Bangunan Inkubator K-Ekonomi,
MITC City, Hang Tuah Jaya,
Ayer Keroh,
76450 Melaka, Malaysia.

BOARD OF DIRECTORS

(From top left) Brian Wong Wye Pong, Asgari Bin Mohd Fuad Stephens, Mohd Aqliff Shane Abdullah,
(From below left) Puvanesan A/L Subenthiran, Datuk Ali Bin Abdul Kadir and Andre Anthony A/L Hubert Rene

ASGARI BIN MOHD FUAD STEPHENS
(Independent Non-Executive Director)

MOHD AQLIFF SHANE ABDULLAH
(Non-Independent Non-Executive Director)

BRIAN WONG WYE PONG
(Independent Non-Executive Director)

DATUK ALI BIN ABDUL KADIR
(Chairman/ Independent Non-Executive Director)

PUVANESAN A/L SUBENTHIRAN
(Chief Executive Officer/ Managing Director)

ANDRE ANTHONY A/L HUBERT RENE
(Deputy Chief Executive Officer/ Executive Director)

PROFILE OF DIRECTORS

DATUK ALI BIN ABDUL KADIR
64 years of age, Malaysian
(Chairman/Independent Non-Executive Director)

Datuk Ali Abdul Kadir is a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW"), member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He is also currently Honorary Advisor to ICAEW Malaysia, Honorary Fellow of the Institute of Chartered Secretaries & Administrators (UK) and the Malaysian Institute of Directors. He was appointed as an independent Non-Executive Director of Privasia Group on 4 May 2009.

Datuk Ali is currently the Chairman of Jobstreet Corporation Berhad, Microlink Solutions Berhad, Privasia Technology Berhad and the Financial Reporting Foundation. He is a Board Member of Glomac Berhad, Labuan Financial Services Authority, Labuan IBFC and member of the Advisory Panel of the Companies Commission of Malaysia.

Datuk Ali was appointed as the Chairman of the Securities Commission of Malaysia on 1 March 1999 and served in that capacity until 29 February 2004. During his tenure, he launched the Capital Market Masterplan and chaired the Capital Market Advisory Council. He was a member of the Foreign Investment Committee, the Oversight Committee of Danaharta and the Finance Committee on Corporate Governance.

On the international front, he was on the Board of IOSCO, chairman of IOSCO's Asia-Pacific Region Committee, trustee of AAOIFI and Force of Nature Aid Foundation, and also Advisor to the Sri Lanka Securities & Exchange Commission.

Prior to his appointment to the Securities Commission, he was the Executive Chairman and Partner of Ernst & Young and its related firms. He was also the former President of the Malaysian Association of Certified Public Accountants, chairing both its Executive Committee and Insolvency Practices Committee and co-chairing the Company Law Forum. He was appointed as an Adjunct Professor in the Accounting and Business Faculty, University of Malaya in 2008 and retired in August 2011. He was then appointed to the Advisory Board of the same Faculty.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences within the past ten (10) years other than traffic offences. He attended all Board Meetings held in the financial year ended 31 December 2012.

PROFILE OF DIRECTORS

PUVANESAN A/L SUBENTHIRAN
37 years of age, Malaysian
(Chief Executive Officer/Managing Director)

Puvanesan is one of the founding members of Privasia, and was appointed as the Group Chief Executive Officer and Managing Director of Privasia Group on 4 May 2009. He was appointed to the Board of Privasia Sdn Bhd on 4th August 2004. He graduated with BA (Hons) in Accounting and Finance from London South Bank University and holds a Diploma in Economics from the National Council for Educational Awards, Ireland.

He is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a Chartered Accountant with the Malaysian Institute of Accountants (MIA). He has completed the Senior Management Development Program and Program for Leadership Development at the Harvard Business School. Prior to this, Puvanesan was a senior in the Business Advisory and Assurance Department of BDO Simpsons Xavier in Ireland and upon his return to Malaysia, was the Chief Financial Officer of the Makmal Jaya Group.

Puvanesan is also a member of the Young Presidents Organization (YPO) and is the President of TiE Malaysia Chapter.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences within the past ten (10) years other than traffic offences. He attended all Board Meetings held in the financial year ended 31 December 2012.

ANDRE ANTHONY A/L HUBERT RENE
37 years of age, Malaysian
(Deputy Chief Executive Officer/Executive Director)

Andre, was appointed the Deputy Chief Executive Officer of the Group on 4 May 2009. He is a LLB(hons) graduate from the University of Wales, College of Cardiff.

He started off his working career while still at university, working as an intern with the New Straits Times press in 1996 followed by a short stint in a legal firm the following year. Upon graduation, Andre moved into the dotcom business with Dreammotor.com as a member of its business development team. He was involved in the setting up of the company and the expansion of its operations and business to Singapore and Hong Kong. Andre's passion, however, was very much in the logistics industry and he eventually joined Westport's IT department to harness his skills in this area. The various IT research studies carried out while at Westport led him to believe that there was an information technology gap to be filled in the port and shipping industry, and coupled with his IT experience from his stint at Dreammotor.com, he ventured full-time into IT consultancy.

Andre is one of the founding members of the Privasia Group and is a graduate of the Harvard Business School Senior Management Development Program.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences within the past ten (10) years other than traffic offences. He attended all Board Meetings held in the financial year ended 31 December 2012.

PROFILE OF DIRECTORS

BRIAN WONG WYE PONG
40 years of age, Malaysian
(Independent/Non-Executive Director)

Brian was appointed as a Non-Executive Director of Privasia Group on 4 May 2009. He is currently a member of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee. He graduated with a Bachelor of Commerce degree majoring in Accounting and Finance from the University of Western Australia and is a Fellow with CPA Australia, a Chartered Accountant with the Malaysian Institute of Accountants, a registered auditor with the Kampuchea Institute of Certified Public Accountants and Auditors, and a Certified Financial Planner with the Financial Planning Association of Malaysia. He was previously with KPMG, Kuala Lumpur and a public company as their head of corporate affairs. He is presently also a director of Mann Seng Metal International Limited, a company listed on the Catalyst Board of the Singapore Stock Exchange. Currently, he is a partner in PKF Malaysia.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences within the past ten (10) years other than traffic offences. He attended all Board Meetings held in the financial year ended 31 December 2012.

ASGARI BIN MOHD FUAD STEPHENS
53 years of age, Malaysian
(Independent/Non-Executive Director)

Asgari bin Mohd Fuad Stephens was appointed as a Non- Executive Director of Privasia Group on 4 May 2009 and is presently a member of the Audit And Risk Management Committee and the Nomination Committee. He has extensive experience in both public and private equity investing in Malaysia. He is the co-founder of Kumpulan Sentiasa Cemerlang, an investment advisory and fund management group. He started two venture capital firms, ISpring Venture Management Sdn. Bhd. and Intelligent Capital Sdn Bhd. He was previously the Chairman of the Malaysian Venture Capital Association.

Currently, he is a Director of Jaycorp Berhad and Maxis Berhad.

He graduated with a BCom. (Hons) from University of Melbourne, Australia and MBA from Cranfield University, United Kingdom.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences within the past ten (10) years other than traffic offences. He attended all Board Meetings held in the financial year ended 31 December 2012.

MOHD AQLIFF SHANE ABDULLAH
36 years of age, Malaysian
(Non-Independent Non-Executive Director)

Mohd Aqliff, was appointed as a Non-Executive Director of Privasia Group on 4 May 2009. Presently he is a member of the Remuneration Committee. He graduated with Bachelor of Science in Mechanical Engineering from University Tenaga National, PPP/UiTM Twinning Program American University Degree Program, Professional Consultation Certificate from Intergraph Process, Power and Offshore Huntsville, Alabama. He began his career at Technip Sdn Bhd in 1999 as Mechanical Engineer in Rotating Department where he had exposure in the operation of an oil and gas multinational company. From 2000 to 2004 he joined Intergraph Process Power & Offshore (M) Sdn Bhd being a subsidiary company of Intergraph Corporation (listed on NASDAQ) as Senior Application Engineer which further strengthened his exposure in the oil and gas industry dealing with the Asean region. He is currently Managing Director for Petrolife Engineering (M) Sdn Bhd, which is involved in the oil and gas industry.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences within the past ten (10) years other than traffic offences. He attended all Board Meetings held in the financial year ended 31 December 2012.

CHAIRMAN'S STATEMENT

I am pleased to present to you the Annual Report and audited financial statements for the financial year ended 31 December 2012 ("FY2012") on behalf of the Board of Directors of Privasia Technology Berhad ("Privasia" or "the Group").

For the global economy, 2012 continued on where 2011 left off. A significant portion of the developed world continued to be plagued by economic woes and sluggish recoveries, which in turn had a negative follow-through effect on the rest – although levels of negativity varied from country to country.

Despite feeling some of the aftershocks, Malaysia on the whole emerged better-off than many other nations. The country was able to record gross domestic product (GDP) expansion of 5.6%, which was mainly driven by output growth from crucial sectors such as services, manufacturing and construction, as well as from private sector investments. By comparison, GDP growth in 2011 stood at 5.1%.

This positive trend was mirrored by the growth in ICT spending. According to International Data Corporation (IDC), Malaysian enterprises and consumers spent an estimated USD10.2 billion in 2012, up 12.8% from 2011's USD9.1 billion.

Additionally, it has been reported in the local media – citing National ICT Association of Malaysia (PIKOM) – that the country's outsourcing industry generated revenue of approximately RM5.0 billion in 2012 and was responsible for creating 54,000 new jobs in the economy.

FY2012 FINANCIAL PERFORMANCE

In light of such a backdrop, Privasia was able to post its best ever group revenue in FY2012, RM60.6 million, up 37.6% from FY2011's RM44.1 million.

The largest contributors to topline growth were the Group's ICT outsourcing and consulting ("OSD") and satellite-based network services ("SAT") divisions, with the former growing 19.5% to RM32.2 million while the latter posting 96.5% growth to RM12.3 million.

Our other divisions – e-procurement ("E-Proc"), and ICT customer distribution ("CDIST") and ICT customer service ("CSERV") – also contributed positively during the financial year under review.

In line with such record growth, Privasia was able to record pre-tax profit of RM8.9 million, up 54.1% from RM5.8 million previously.

However, as the Group's tax exemption benefit under the Multimedia Super Corridor and Pioneer Status expired on 24 January 2012, we incurred higher tax expenses in FY2012. This dampened net profit, which grew by only 1.7% to RM4.9 million from RM4.8 million a year ago. FY2012 basic earnings per share stood at 0.88 sen, compared to 0.87 sen previously.

Privasia's balance sheet remained in a healthy state during the period under review. In line with the Group's increased retained earnings, shareholders' equity rose to RM71.0 million from RM67.6 million. Additionally, cash and cash equivalents stood at RM13.1 million versus FY2011's RM8.3 million while borrowings stood at RM24.1 million, compared to RM26.8 million previously, as a result of reduced long-term loans. Hence, our net gearing of 0.15 time – versus 0.27 time previously - puts us in a good position to fund any expansion initiatives as and when necessary.

To reward our shareholders for their continuing support, the Group has proposed a first and final single-tier tax-exempt dividend of 0.3 sen per share, or RM1.7 million. If approved by shareholders' at our forthcoming Annual General Meeting (AGM), this will translate into a dividend payout ratio of 34.0%.

CORPORATE UPDATE

Privatel Sdn Bhd
(formerly known as Airoport.com Sdn Bhd)

On 12 December 2012, Privasia announced the transfer of 50,000 shares or 25% in our wholly-owned subsidiary for RM1 to Thiagarajan A/L Tinakarun, who joined the Group to develop our telecommunications business. This was done in line with our intent in making headway in the telecommunications segment under our CSERV division.

We see this exercise as a significant corporate milestone for Privasia and marks a good reference site to the Group's plans to penetrate the telecommunications industry.

INDUSTRY OUTLOOK AND BUSINESS STRATEGIES

IDC expects ICT spending in Malaysia to hit USD10.6 billion in 2013. By 2016, the ICT research house forecasts spending levels to reach as high as USD12.2 billion.

At the same time, moves by the Malaysian Government to improve the ICT infrastructure under the Economic Transformation Programme ("ETP") - and initiatives like Digital Malaysia, which are designed to develop a "digital economy" – have been proposed/implemented to act as a catalyst for further ICT spending. The increasing adoption of cloud computing solutions and the roll-out of the 4G long-term evolution ("LTE") telecommunications network are also expected to spur growth within the industry.

On top of these positive factors, there are indications that competitive pressures, new technologies and need to free up resources to focus on core competencies have made many corporates and small and medium-enterprises (SMEs) consider adopting outsourcing solutions for non-core functions. In fact, industry experts have opined that Malaysia's outsourcing sector could generate revenue as much as RM7.1 billion by 2015.

What this translates into for Privasia is opportunities. With our core expertise in ICT outsourcing, business process outsourcing ("BPO") and the Group's proprietary e-Bidding and e-Procurement spend management platforms – coupled with our ability to provide solutions to a variety of clients in various differing industries – we are in a very good position to grasp the prospects in the market.

Privasia's order book, as at end-2012, stands at RM154.0 million, which will last the Group until 2020. We have no intention of resting on our laurels and have adopted a three-pronged strategy – which utilises our expertise and experience, strong balance sheet and established reputation – to grow our market presence and improve on our profitability.

These strategies are:

(i) *Expanding clientele in core businesses*

In light of the opportunities within the Malaysian ICT market within both the public and private sectors, Privasia will continue to bid for more ICT outsourcing, support and maintenance projects for enterprises to grow our order book further. Our ability to provide ICT outsourcing solutions in industries, which range from financial service providers and telecommunication firms to logistics and fast moving consumer goods ("FMCG"), will put us in good stead.

(ii) *Developing our new communications infrastructure outsourcing business*

The communications infrastructure outsourcing project that Privasia landed in Melaka has opened a window of opportunity for the Group. We intend to look for similar prospects within Malaysia and the region, and are cautiously optimistic that we will be able to grow in tandem with the prospects within these markets.

Success within this arena will involve Privasia identifying and engaging with the various WiMAX (Worldwide Interoperability for Microwave Access), broadband and wireless operators that are out there and to see how our communications infrastructure solutions can augment their businesses. The Group also intends to push our radio frequency optimisation solutions to the market, which in turn will create a new revenue stream for us.

(iii) *Identifying suitable merger & acquisition ("M&A") opportunities*

Privasia believes in growing organically. However, as an ICT solutions provider that constantly strives to deliver the best possible level of services to our clients, the Group will not shy away from undertaking M&A exercise.

Hence, we will continue to pursue potential M&A prospects that are synergistic to our core businesses, which can enhance our products and services offerings. The Company's relatively low gearing of 0.15 time and strong cash position provides us with the flexibility to undertake such an exercise should the opportunity present itself to us.

Privasia is now in its third full year as a listed entity and in that time we have grown from strength to strength. Given the products and services that we have to offer, our ability to provide ICT outsourcing solutions to a wide range of industries, and the experience and expertise within the Group, we believe we are well-positioned to become the leading ICT outsourcing provider in the country and beyond in the coming years.

CHAIRMAN'S STATEMENT

CORPORATE GOVERNANCE

Privasia is a strong advocate of the highest level of corporate governance best practices as we believe that this is the morally right way to boost financial performance and protect shareholders' value. The Group's methodologies in achieving such objectives in our day-to-day operations are highlighted within the Corporate Governance Statement of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

Privasia is committed to doing our best to enrich and enhance the lives of the larger community by promoting the spirit of sportsmanship.

To this end, the Group has sponsored the Westports Malaysia Dragons basketball team in the ASEAN Basketball League in order to inspire the younger generation to realise their highest potential.

During this year under review, we also sponsored other sporting activities to promote a healthy lifestyle among Malaysians. This includes being a sponsor for the all-Malaysian Nexus Racing high-performance car racing team during the Malaysia Merdeka Endurance Race 2012.

Additionally, the Board of Directors and staff of Privasia supported a number of charitable programmes and bodies in FY2012, which include:

- The Budimas Charitable Foundation
- Yayasan Jantung Malaysia
- Setting up a charitable campaign known as 'Cambodian Charity'
- Aiding the Orang Asli People of Peninsular Malaysia

APPRECIATION

It is at this juncture that I would like to warmly thank my fellow Board members, the management team of Privasia and the Group's employees for their hard work and dedication, which have helped push the Company to the level where we are today.

I would also like to extend my deepest gratitude to our shareholders, suppliers, business associates, regulatory bodies and more who have kept their faith in us and continued to stand beside Privasia through the good times and the bad.

May 2013 be a good year for us all. Thank you.

Datuk Ali Bin Abdul Kadir
Chairman

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of the Company ("Board") is committed to the principles and best practices of corporate governance as laid out in the Malaysian Code on Corporate Governance ("Code") and ensures that standards of corporate governance are being observed to realise the objective of increasing the shareholders' value.

THE BOARD AND BOARD STRUCTURES

An effective Board leads and controls the Company. The Directors are from diverse professional and business backgrounds with a wide range of academic and professional qualifications and business and financial experience relevant to lead the Group's business activities and as such, are able to effectively discharge their duties and responsibilities on the matters or issues of strategic planning, performance evaluation, resource allocation, setting of standards of conduct, identifying principal risks, reviewing internal control systems etc.

The Board has delegated certain responsibilities to the Board Committees with clearly defined terms of reference to assist in discharging its duties. The Board Committees include the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee. The Chairman of the respective Committees will report and table to the Board their respective recommendations for consideration and adoption.

The Board meets on a quarterly basis, with additional meetings convened as and when required. There were five (5) meetings held during the financial year and the attendances are as follows:

Name of Directors	**Attendance**
Datuk Ali bin Abdul Kadir	5 / 5
Puvanesan a/l Subenthiran	5 / 5
Andre Anthony a/l Hubert Rene	5 / 5
Brian Wong Wye Pong	5 / 5
Asgari bin Mohd Fuad Stephens	5 / 5
Mohd Aqliff Shane Abdullah	5 / 5

A. DIRECTORS

i) Board Composition and Balance

The Board comprises six (6) members; of whom two are Executive Directors, one Non-Independent Non-Executive Director and three are Independent Non-Executive Directors. The Board members, with different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise to lead the Company.

With the different backgrounds and specializations of the Board members, the balance in the Board is achieved and such balance enables the Board to provide effective leadership in all aspects, as well as maintaining a high standard of governance and integrity.

There is a clear and distinct division of responsibilities between the Chairman and the Managing Director to ensure a proper balance of power and authority. The Chairman leads the Board in setting values and standards of the Group and is responsible for the effective conduct of the Board. He ensures that information relating to issues on agenda is disseminated to all Directors well before deliberation at Boards meetings and facilities the constructive relations between the executive and Non-executive Directors whilst the Managing Director has overall responsibility over the operating units, organisational effectiveness, coordinating the development and implementation of business and corporate strategies as well as the implementation of Board policies and decisions.

ii) Roles and Responsibilities

The Board assumes, amongst others, the following duties and responsibilities:-

a) reviewing and adopting the overall strategic plans and programmes for the company and group;
b) overseeing and evaluating the conduct of business of the company and group;
c) identifying principal risks and ensuring implementation of a proper risk management system to manage such risks;
d) establishing a succession plan;
e) developing and implementing a shareholder communication policy for the company;
f) reviewing the adequacy and the integrity of the management information and internal controls systems of the company and group; and
g) the board delegates certain responsibilities to the various board committees with clearly defined terms of reference to assist the board in discharging its responsibilities;

The following are matters which are specifically reserved for the Board:-

a) approval of corporate plans and programmes;
b) approval of annual budgets, including major capital commitments;
c) approval of new ventures;
d) approval of material acquisition and disposals of undertakings and properties; and
e) change to the management and control structure within the company and its subsidiaries ("the Group"), including key policies, delegated authority limits; and
f) the Board also review and update the Whistle-blowing policy;

iii) Code of Ethics and Conduct

The Code of Ethics and Conduct is to be observed by all Directors and employees of the Group, and the core areas of conducts under the Code include the followings:-

a) conflict of interest ;
b) confidential information;
c) inside information and securities trading;
d) protection of assets;
e) business records and control;
f) compliance to the law;
g) personal gifting and contribution;
h) health and safety;
i) sexual harassment;
j) outside interest;
k) fair and courteous behavior; and
l) misconducts.

iv) Supply of Information

The Board recognises that the decision-making process is highly dependent on the quality of information furnished. As such, in discharging their duties, the Directors need to have full and timely access to all information concerning the Company and the Group. All Board meetings held were preceded by a notice issued by the Company Secretaries. Prior to each Board meeting, the agenda together with relevant reports and Board papers would be circulated to all Directors in sufficient time to enable effective discussions and decision-making during Board meetings. In addition, the Board is also notified of any corporate announcements released to Bursa Malaysia Securities Berhad ("Bursa Securities").

The Directors have full access to the advice and services of the Company Secretaries, the senior management staff, the external auditors and other independent professionals at all times in discharging their duties and responsibilities.

v) Company Secretary

The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and apprised by the Company Secretary. She gives clear and sound advice on the measures to be taken and requirements to be observed by the Company and the Directors arising from new statutes and guidelines issued by the regulatory authorities. The Company Secretary briefs the Board on proposed contents and timing of material announcements to be made to Bursa Malaysia. The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods in accordance with the black-out periods for dealing in the Company's securities pursuant to Chapter 14 of the Bursa Malaysia ACE Market Listing Requirements.

The Company Secretary attends and ensures that all Board meetings are properly convened and those accurate and proper records of the proceeding and resolutions passed are taken and maintained in the statutory register at the registered office of the Company. The Company Secretary also facilitates timely communication of decisions made and policies set by the Board at Board meetings, to the Senior Management for action. The Company Secretary works closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committee, and between the Non-Executive Directors and Managements.

vi) Appointment to the Board

Having reviewed the assessments in respect of the financial year ended 31 December 2012, the Board is satisfied that the Board and Board Committees have continued to operate effectively in discharging their duties and responsibilities. The Directors have also fulfilled their responsibilities as members of the Board and are suitably qualified to hold their positions.

vii) Re-election of Directors

Pursuant to Section 129 (6) of the Companies Act, 1965, directors who are over the age of seventy (70) years old shall retire at every Annual General Meeting ("AGM") and may offer themselves for re-appointment as directors of the Company to hold office until the conclusion of the next AGM.

The Articles of Association of the Company provides that at least one-third of the Board is subject to retirement by rotation at every AGM. Further, all Directors of the Company shall retire at least once every three (3) years.

A retiring director is eligible for re-election. This provides an opportunity for shareholders to renew their mandate. The election of every director is voted on separately.

viii) Directors' Training

During the financial year ended 31 December 2012, the Directors of the Company attended various forums, programmes, workshops and seminars which covered the following topics:-

1. The Enterprise Development Challenge 2011 / 2012
2. TiE Global AABPC (All Asia Business Plan Competition Plan)
3. Upcoming BFM Entrepreneur Breakway 2012
4. Global Leadership Summit Singapore 2012
5. AGS Distribution Sdn Bhd Cloud 'Transforming the Government'
6. National Annual Corporate Report Awards
7. The Malaysia Corporate Governance Code 2012
8. BDO Asia Pac Senior Tax Partners Meeting
9. Labuan IBFC Leasing symposium
10. Making The Most Of The Chief Financial Officer Role: Everyone's Responsibility?
11. Global Islamic Finance Forum 2012
12. Integrity, Why Bother ?
13. Alignment of corporate culture with corporate vision – where it has worked successfully
14. The Trans-Pacific Partnership and China's Policy Responses
15. Dynamic Evolution Of The Pensions World
16. Modern Jobs For The High Income Economy
17. EU-Asia Biomass Best Practices & Business Partnering Conference 2012
18. Photovolic, Solar Energy and Green Techmologies Malaysia/Asia 2012 Conference
19. Exploiting Structural Disruptions To Find Opportunities For Growth
20. Malaysia In A New Global Context-Realizing Malaysia's True Potential
21. Importance Of Organization As An Enabler For Effective Strategy Execution
22. Malaysian Budget 2013
23. Mines & Money Australia 2012
24. Biomass Industry Networking
25. The ISIS Praxis 2013
26. Leadership Of Sustainable Growth
27. Global Islamic Wealth & Asset Management – Capitalizing Challenges & Opportunities
28. The Global Economy : What's Wrong, What's New, What's Next

B. DIRECTORS' REMUNERATION

The aggregate remuneration of the Directors for the financial year are as follows:-

	Directors Fee and Allowances		Salaries and Others	
	Group	Company	Group	Company
Executive Directors	RM 54,000	RM 54,000	RM 790,965	RM 790,965
Non-Executive Directors	RM 107,000	RM 107,000	-	-

The number of Directors of the Company whose total remuneration during the year falling into the following bands are as follows:-

Range of remunerations during the year	Number of Directors	
	Executive	Non-Executive
Below RM 50,000	-	3
RM 50,001 – RM 100,000	-	1
RM 100,001 – RM 150,000	-	-
RM 150,001 – RM 200,000	-	-
RM 200,001 – RM 250,000	-	-
RM 250,001 – RM 300,000	-	-
RM 300,001 – RM 350,000	-	-
RM 350,001 – RM 400,000	1	-
RM 400,001 – RM 450,000	1	-

C. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company strictly adheres to the disclosure requirements of Bursa Securities and recognises the importance of timely and equal dissemination of information to shareholders and stakeholders to fulfill transparency and accountability objectives. Another key channel of communication with the shareholders, investors and the investment community at large is the Group's investor relations function. The institutional shareholders, fund managers, research analysts and substantial shareholders have a direct channel and are able to enter into a dialogue with the Company's representatives.

The AGM remains the principal forum for communication and dialogue with the shareholders of the Company. Shareholders are notified of the AGM and provided with a copy of the Company's Annual Report at least twenty-one (21) days before the date of the AGM.

The Board members are prepared to respond to all queries and had undertaken to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification on queries raised by shareholders. Status of all resolutions proposed at the AGM is announced to Bursa Securities at the end of the meeting day. Proceedings of the AGM are properly minuted. The Company also maintains a website (www.privasia.com) through which shareholders and members of the public in general can gain access to information about the Group.

D. ACCOUNTABILITY AND AUDIT

i) Financial Reporting

The Board is aware of its responsibilities to the shareholders and the requirements to present a balanced and meaningful assessment of the Group's financial position, by means of the annual financial and quarterly report's statements and other published information. In this regard, the Board is primarily responsible to present a fair and balanced report of the financial affairs of the Group, which is prepared in accordance with the Companies Act, 1965 and the approved accounting standards set by the Malaysian Accounting Standards Board.

With assistance from the Audit and Risk Management Committee, the Board scrutinised the financial aspect of the Audited Financial Statements and reviewed the statutory compliance aspects of the Audited Financial Statements.

ii) Internal Control

The Statement on Risk Management and Internal control is set out in page 26 of this Annual Report.

iii) Relationship with External Auditor

Through the Audit and Risk Management Committee, the Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the Malaysian Financial Reporting Standards and Companies Act, 1965 in Malaysia. The interactions between the parties include the discussion of audit plan, audit findings and corrective actions, where appropriate and the conclusion of the financial statements.

E. DIRECTORS' RESPONSIBILITY STATEMENT IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are required to ensure that the financial statements of the Group and the Company are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company for the financial year ended 31 December 2012.

In preparing the financial statements, the Directors have selected and applied consistently appropriate accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such steps that are reasonable to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

F. BOARD COMMITTEES

The Board has delegated certain responsibilities to the Board Committees with clearly defined terms of reference to assist in discharging its duties. The Board Committees include the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee. The Chairman of the respective Committees will report and table to the Board their respective recommendations for consideration and adoption.

The Board Committees for the financial year under review are as follows:-

i) Audit and Risk Management Committee

Audit and Risk Management Committee operates under a clearly defined Terms of Reference stating its roles and responsibility in ensuring the quality and integrity of the practices of the Group.

MEMBERS

Datuk Ali Bin Abdul Kadir (Independent Non-Executive Director) - Chairman
Brian Wong Wye Pong (Independent Non-Executive Director)
Asgari Bin Mohd Fuad Stephens (Independent Non-Executive Director)

The Audit and Risk Management Committee has held a total of five (5) meetings during the course of the financial year ended 31 December 2012.

ii) Nomination Committee

MEMBERS

Datuk Ali Bin Abdul Kadir (Independent Non-Executive Director) - Chairman
Brian Wong Wye Pong (Independent Non-Executive Director)
Asgari Bin Mohd Fuad Stephens (Independent Non-Executive Director)

The Nomination Committee is responsible for ensuring the Board has the appropriate balance and size, and recommending the right candidates with the necessary mix of skills, experience and competencies to be appointed to the Board. The membership of the Nomination Committee has not changed since the last report.

Meeting of the Nomination Committee will be held at least once a year or as and when required.

The Terms of Reference of the Nomination Committee in relation to its authority and duties are as follows:

Duties and Responsibilities

- Regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;

- Give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and what skills and expertise are therefore needed on the Board in the future;

- Be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;

- Before making an appointment, evaluate the balance of skills, knowledge and experience on the board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:

  a) use open advertising or the services of external advisers to facilitate the search;
  b) consider candidates from a wide range of backgrounds; and
  c) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;

- Keep under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organization to compete effectively in the market place;
- Keep up to date and fully informed about strategic issues and commercial changes affecting the company and the market in which it operates; and
- Review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfill their duties;

The Committee will also make recommendations to the Board concerning:

- Plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman and Chief Executive;
- Suitable candidates for the role of senior independent director;
- Membership of the Audit and Remuneration Committees, in consultation with the chairman of those committees;
- The re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- The re-election by shareholders of any director under the 'retirement by rotation' provisions in the Company's Article of Association having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- Any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract;
- The appointment of any director to executive or other office other than to the positions of Chairman and Chief Executive, the recommendation for which would be considered at a meeting of the full board;
- Assessing the effectiveness of the Board and the contribution of individual directors.
- Shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- Shall make a statement in the annual report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used; and
- Shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Authority

- The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties; and
- The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

The Nomination Committee upon its annual assessment carried out for financial year 2012, was satisfied that:

- The size and composition of the Company is optimum with appropriate mix of knowledge, skills, attributes and core competencies;
- The Board has been able to discharge its duties professionally and effectively in consideration of the scale and breadth of the operations;
- All the Directors continue to uphold the highest governance standards in their conduct and that of the Board;

- All the Members of the Board are well qualified to hold their positions as Directors of the Company in view of their respective academic and professional qualifications, and depth of knowledge, skills and experience and their personal qualities;

- The Independent Directors comply with the definition of Independent Directors as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and therefore would be able to function as a check and balance and bring an element of objective to the Board; and

- The Directors are able to devote sufficient time commitment to their roles and responsibilities as Directors of the Company, as they hold either one or only a few directorship in public listed companies as described below:

  - Holdings only one directorship : 4 directors
  - Holdings three directorship : 1 director
  - Holdings four directorship : 1 director

MEETINGS

Details of the attendance of each Nomination Committee member at the Nomination Committee meeting held during the financial year ended 31 December 2012 are as follows:

	No. of Meeting Attended
Datuk Ali Bin Abdul Kadir	1/1
Brian Wong Wye Pong	1/1
Asgari Bin Mohd Fuad Stephens	1/1

The Company Secretary was present at the meeting.

iii) Remuneration Committee

MEMBERS

Brian Wong Wye Pong (Independent Non-Executive Director) – Chairman
Puvanesan A/L Subenthiran (Chief Executive Officer / Managing Director)
Mohd Aqliff Shane Abdullah (Non-Independent Non-Executive Director)

Meeting of the Remuneration Committee will be held at least once a year or as and when required.

The Terms of Reference of the Remuneration Committee in relation to its authority and duties are as follows:

Duties and Responsibilities

- Determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chief Executive, Chairman, the Executive Directors, the Company Secretary and such other members of the executive management as it is designated to consider. The remuneration of Non-Executive Directors shall be a matter for the Chairman and the Executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration;

- In determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;

- Determine the policy for, and scope of, pension arrangements for each Executive Director and other Senior Executive, if applicable;

- Ensure the contractual terms on termination, and any payment made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognized;

- Within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, determine the total individual remuneration package of each Executive Director and other Senior Executives including bonuses, incentive payments and share options or other share awards;

- Review and note annually the remuneration trends across the Company or Group;

- Oversee any major changes in employee benefits structures throughout the Company or Group;

- Agree the policy for authorizing claims for expenses from the Chief Executive and Chairman;

- Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee: and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfill its obligations;

- Provides a means for review of the Company's processes for producing financial data, its internal controls, and the independence of the Company's external auditor, and a forum for dialogue with the Company's external and internal auditors;

- To reinforce the objectivity of the internal auditing department;

- To deal with the issue relating to the presence of controlling shareholders and substantial shareholders.

- Shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed; and

- Shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Authority

- The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.

- In connection with its duties the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other professional advice.

All recommendations of the Remuneration Committee are subject to the endorsement of the Board.

MEETINGS

Details of the attendance of each Remuneration Committee member at the Remuneration Committee meeting held during the financial year ended 31 December 2012 are as follows:

	No. of Meeting Attended
Puvanesan A/L Subenthiran	1/1
Mohd Aqliff Shane Abdullah	1/1
Brian Wong Wye Pong	1/1

The Company Secretary was present at the meeting.

Compliance with the Code

The Board is satisfied that the Group has maintained high standards of Corporate Governance and had strived to achieve the highest level of integrity and ethical standard, in all its business dealings, including compliance with the Code through the financial year ended 31 December 2012.

This Statement is made in accordance with the resolution of the Board.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

A. MEMBERSHIP

The present members of the Audit and Risk Management Committee comprise:

Datuk Ali Bin Abdul Kadir	Independent Non-Executive Director, the Chairman of the Committee
Brian Wong Wye Pong	Independent Non-Executive Director
Asgari Bin Mohd Fuad Stephens	Independent Non-Executive Director

B. TERM OF REFERENCE

The terms of reference of the Audit and Risk Management Committee are set out as below:

Composition

The Audit and Risk Management Committee shall be appointed among the Board, a majority of whom shall be Independent Directors and at least one (1) member must be a member of the Malaysian Institute of Accountants or posseses such qualification and/or experience as approved by Bursa Securities.

The Chief Executive Officer shall not be a member of the Audit and Risk Management Committee.

Chairman

The Chairman, who shall be appointed by the Board, shall be an Independent Director.

Secretary

The Company Secretary shall be the Secretary of the Audit and Risk Management Committee. The Secretary shall be responsible for keeping the minutes of the Committee's meetings and circulating them to the Committee members and to the other members of the Board.

Meetings

The Audit and Risk Management Committee shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be Independent Non-Executive Directors. All decisions at such meeting shall be decided by a show of hands on a majority of votes.

The Audit and Risk Management Committee shall have the authority to convene meetings with external auditors when required, excluding the attendance of other Directors and employees of the Company.

Authority

The Committee is authorised by the Board to investigate any matter within the scope of the Committee's duties. It has full and unrestricted access to any information in the Company and is authorised to call upon any employee to seek information it requires and all employees are required to co-operate with the Committee.

The Committee is empowered to also obtain independent professional or other advice and retain persons having special competence as necessary to assist the Committee in fulfilling its responsibility.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Duties and Responsibilities

1.1 To recommend the appointment of the external auditors, their audit fee and any questions of their resignation or dismissal to the Board
1.2 To discuss with the external auditors, their audit plan.
1.3 To review the financial statements of the Company and the Group before submission to the Board, focusing particularly on:-
- public announcements of results and dividend payment;
- any changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from the audit;
- the going-concern assumption;
- compliance with accounting standards; and
- compliance with the stock exchange and legal requirements.

1.4 To discuss problems and reservations arising from the interim and final internal and external audits and any matters the auditors may wish to discuss (in the absence of management where necessary).
1.5 To keep under review the effectiveness of internal control system and, in particular, review external auditors' management letter and management's response.
1.6 To review any related party transactions that may arise within the Company or Group.
1.7 To verify the allocation of share options under the Employees Share Option Scheme of Privasia Technology Berhad.
1.8 To review and approve the statements of risk management and internal control to be included in the annual report concerning internal controls and risk management
1.9 To monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.
1.10 Ensuring that a formalised risk management framework is established that identifies, evaluating, measures, manages, reports and monitors all of the material business risks across the Group.
1.11 To approve the appointment and removal of the internal auditor.
1.12 To consider and approve the scope of the internal audit function and ensure it has appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
1.13 To ensure the adequacy of the scope, function, competency and resources of the internal audit function and that it has the necessary authority to carry out its work and the function has adequate standing and is free from management or other restrictions.
1.14 To review and assess the annual internal audit plan.
1.15 To review promptly all reports on the Group from the internal auditors and review and monitor management's responsiveness to the findings and recommendations of the internal auditor.
1.16 To monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company as compared to the overall fee income of the firm, office and partners and other related requirements.
1.17 To review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoings in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigations of such matters and appropriate follow-up actions.
1.18 Identifying and monitoring the key risks of the Group and evaluating the management.
1.19 Ensuring policies and framework are in place to manage the risks to which the Group is exposed, especially in the areas of risk concentration pertaining to the risk exposures that the subsidiaries are exposed to in their business activities, e.g. market, operational, liquidity, credit, regulatory, reputation, legal and strategic risk.
1.20 Ensuring action plan is in place to manage the key risks to which the Group is exposed.
1.21 Critically assessing the Group's business strategies and plans from a risk-based and enterprise-wide perspective.
1.22 To carry out such other functions and consider other topics, as may be agreed upon by the Board.

C. MEETINGS AND SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2012, a total of five (5) meetings were held and the details of attendances are set out below:-

	Meetings attended
Datuk Ali Bin Abdul Kadir	5/5
Brian Wong Wye Pong	5/5
Asgari Bin Mohd Fuad Stephens	5/5

The Company Secretary was present at all meetings. The meetings were appropriately structured through the use of agendas.

Summary of Activities

The following activities were carried out by the Audit and Risk Management Committee during the financial year under review:-

i) Reviewed the quarterly results and financial statements for recommendation to the Board;
ii) Reviewed the external auditors' scope of work for the year;
iii) Considered the Internal Audit function of the Group,
iv) Received and reviewed the Enterprise Risk Management reports and approve the risk-based Internal Audit Plan and Reports;
v) Reviewed the changes in major accounting policies;
vi) Reviewed significant or unusual events;
vii) Reviewed the compliance with accounting standards and other legal requirements;
viii) Considered and recommended the appointment of internal and external auditors for the Board's approval;
ix) Ensure management is responsive to internal and external audit recommendations; and
x) Ensure outsourced internal audit function has adequate resources, consisting of people who are adequately skilled.

D. INTERNAL AUDIT FUNCTION

The internal audit function has been outsourced to an external professional firm for consulting. The consultants have assist the Board and the Audit And Risk Management Committee to evaluate the internal control system and risk management and provide their recommendations to the Board and the Management for further improvement. Further details on the internal audit function are reported in the Statement on Risk Management and Internal Control on pages 26 and 27.

The total costs incurred for the internal audit function of the Company for the financial year was RM30,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement on Risk Management and Internal Control by the Board of Directors ("Board") of the Group is made pursuant to paragraph 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the Principles and Best Practices provisions relating to risk management and internal controls provided in the Malaysian Code on Corporate Governance ("Code"). This Statement is guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITIES

The Board recognises and affirms its overall responsibility for the Group's system of internal controls, which includes the establishment of an appropriate risk and control framework as well as the review of its effectiveness, adequacy and integrity. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies. The process has been in place during the year up to the date of approval of the annual report and is subject to review by the Board.

The Board is assisted by Management in implementing the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to manage and control these risks.

The key features of the risk management and internal control systems are described below.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Group has in place risk profiles of major business units. Key risks of major business units were identified, assessed and categorised to highlight the source of risk, their impacts and the likelihood of occurrence. Risk profiles for the major business units were identified.

The risk profile of the major business units of the Group are being monitored by its respective key Management staff. Key risks of the Group are discussed at Management and Board Meetings on a need basis.

Management will update the results of risk assessment including preparing detailed risk registers and document all discussions at Management and Board meetings on key risks and actions plans to address the key risks.

Internal Control

The Board receives and reviews quarterly reports from the Management on key financial data, and regulatory matters. This is to ensure that matters that require the Board's and Management's attention are highlighted for review, deliberation and decision on a timely basis. The Board approves appropriate responses or amendments to the Group's policy. Besides, the results of the Group are reported quarterly and any significant fluctuations are analysed and acted on in a timely manner.

There is a budgeting system that requires preparation of the annual budget by all major business units. The annual budgets which contain financial, operating targets and performance indicators are reviewed and approved by the Executive Directors together with the Management before being presented to the Board for final review and approval.

Issues relating to the business operations are highlighted to the Board's attention during Board meetings. Further independent assurance is provided by the Group internal audit function and the Audit Committee. The Audit Committee reviews internal control matters and updates the Board on significant issues for the Board's attention and action.

The other salient features of the Group's systems of internal controls are as follows:-

- Quarterly review of the financial performance of the Group by the Board and the Audit Committee;
- Defined organisation structure and delegation of responsibilities;

- Limit of Authority (LOA) matrix that clearly outlines Senior Management limits and approval authority across various key processes; The LOA is duly approved by the Board;
- Operations review meetings are held by the respective business units to monitor the progress of business operations, deliberate significant issues and formulate corrective measures; and
- Code of conduct provided to all employees of the Group

In addition, the Group is in the process of establishing the whistle blowing framework.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of the internal audit function and has outsourced its internal audit function to a professional services firm, as part of its efforts in ensuring that the Group's systems of internal controls are adequate and effective. The internal audit function of the Group is carried out according to an annual audit plan approved by the Audit Committee. The internal audit function adopts a risk-based approach and prepares its audit plans based on significant risks identified. The internal audit provides an assessment of the adequacy, efficiency and effectiveness of the Group's existing internal control policies and procedures and provides recommendations, if any, for the improvement of the control policies and procedures. The results of the audit reviews are reported periodically to the Audit Committee.

The audit reports are reviewed by the Audit Committee and forwarded to the Management so that any recommended corrective actions could be undertaken. The Management is responsible for ensuring that the necessary corrective actions on reported weaknesses are taken within the required time frame.

A total of RM30,000 was spent on internal audit activities in 2012.

REVIEW BY BOARD

The Board considered the adequacy and effectiveness of the risk management and internal control process in the Group during the financial year.

A review on the adequacy and effectiveness of the risk management and internal controls systems has been undertaken based on information from:

- Management within the organisation responsible for the development and maintenance of the risk management and internal control framework;
- Assessments of major business units and functional controls by respective Management to complement the above input in providing a holistic view of the Group risk and control framework effectiveness; and
- The work by the internal audit function which submitted the Internal Audit Strategy document highlighting the key processes and potential key risks for the Group and Internal Audit reports to the Audit Committee together with recommendations for improvement.

The Audit Committee will address and monitor the implementation of key action plans and any internal control weakness and ensure continuous process improvement.

The Board also received assurance from the CEO and CFO of the Company that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Company.

The Board considers the system of internal controls described in this statement to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment. The Board and Management will continue to take measures to strengthen the risk and control environment and monitor the health of the risk and internal controls framework.

During the year, a number of improvements to internal controls were identified and addressed. There have been no significant weaknesses noted which have resulted in any material losses.

The above statement is approved by the Board dated 24 April 2013.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the ACE Market Listing Requirements of Bursa Securities.

1. Utilisation of Proceeds

During the financial year, the Group did not raise any funds from the public.

2. Share Buy-Back

The Company does not have a scheme to buy-back its own shares.

3. Options, Warrants or Convertible Securities

The approval of the shareholders for the employees' share option scheme of up to ten (10) percent of the issued and paid-up share capital of the Company ("ESOS") was obtained at the extraordinary general meeting of the Company which was held on 12 March 2009. There were no options allocated during the financial year under review. Further, the Company did not issue any warrants and convertible securities during the financial year under review.

4. Depository Receipt Programme

During the financial year, the Company did not sponsor any depository receipt programme.

5. Sanctions and/or Penalties

During the financial year, there were no public sanctions and/or penalties imposed on the Group and the Company, directors or management by the relevant authorities.

6. Non-Audit Fees

During the financial year, the non-audit fees paid to the external auditors amounted to RM39,200.

7. Variation of Results

There were no variances of ten percent (10%) or more for the audited results of the Group from the unaudited results as previously announced on 25 February 2013.

8. Material Contracts

There were no material contracts subsisting at the end of the financial year ended 31 December 2012 entered into by the Company and the Group, involving the interests of the Directors and major shareholders.

9. Revaluation Policy on Landed Properties

The Group does not have a revaluation policy for its landed properties.

10. Related Party Transactions

There are no significant related party transaction other than those disclosed in Note 7, Note 16 and Note 19 in the financial statements.

11. Profit Guarantee

During the financial year, there were no profit guarantees given in respect of the Company.

ADDITIONAL COMPLIANCE INFORMATION

12. Corporate Social Responsibility ("CSR")

Privasia is committed to doing our best to enrich and enhance the lives of the larger community by promoting the spirit of sportsmanship.

To this end, the Group has sponsored the Westports Malaysia Dragons basketball team in the ASEAN Basketball League in order to inspire the younger generation to realise their highest potential.

During this year under review, we also sponsored other sporting activities to promote a healthy lifestyle among Malaysians. This includes being a sponsor for the all-Malaysian Nexus Racing high-performance car racing team during the Malaysia Merdeka Endurance Race 2012.

Additionally, the Board of Directors and staff of Privasia supported a number of charitable programmes and bodies in FY2012, which include:

- The Budimas Charitable Foundation
- Yayasan Jantung Malaysia
- Setting up a charitable campaign known as 'Cambodian Charity'
- Aiding the Orang Asli People of Peninsular Malaysia

DIRECTORS' REPORT
for the year ended 31 December 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2012.

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Profit attributable to:		
Owners of the Company	4,939,068	3,135,655
Non-controlling interests	51,240	-
Net profit for the year	4,990,308	3,135,655

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review, other than those disclosed in Note 7 and Note 13.

Dividends

Since the end of the previous financial year, the Company paid a single tier tax exempt final dividend of 0.2 sen per ordinary share totalling RM1,116,400 in respect of the year ended 31 December 2011 on 30 July 2012.

Subsequent to the financial year end, on 24 April 2013, the Directors proposed a single tier tax exempt final dividend of 0.3 sen per ordinary share totalling RM1,674,600 in respect of the year ended 31 December 2012. The financial statements for the current financial year do not reflect these dividends. Upon approval by the shareholders, the dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2013.

The Directors do not recommend any other dividends to be paid for the year under review.

Significant events during the year

The significant events during the financial year are as disclosed in Note 27 to the financial statements.

Subsequent events

The subsequent events are disclosed in Note 28 to the financial statements.

Directors of the Company

Directors who served since the date of the last report are:

Andre Anthony a/l Hubert Rene
Asgari bin Mohd Fuad Stephens
Brian Wong Wye Pong
Datuk Ali bin Abdul Kadir
Mohd Aqliff Shane Abdullah
Puvanesan a/l Subenthiran

Directors' interests

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.10 each			
	At 01.01.2012	Bought	Sold	At 31.12.2012
In the Company:				
Direct interest				
Andre Anthony a/l Hubert Rene	12,281,400	-	692,700	11,588,700
Asgari bin Mohd Fuad Stephens				
- others *	4,000,000	-	-	4,000,000
Brian Wong Wye Pong	500,000	-	-	500,000
Datuk Ali bin Abdul Kadir				
- own	18,530,400	-	-	18,530,400
- others **	1,666,000	-	-	1,666,000
Mohd Aqliff Shane Abdullah	58,329,100	-	17,601,000	40,728,100
Puvanesan a/l Subenthiran	15,981,400	-	-	15,981,400
Indirect interest				
By virtue of shares held by				
Anyotech Sdn. Bhd.				
- Andre Anthony a/l Hubert Rene	79,713,220	-	-	79,713,220
- Puvanesan a/l Subenthiran	79,713,220	-	-	79,713,220
Pancarthiran Sdn. Bhd.				
- Puvanesan a/l Subenthiran	71,172,500	-	-	71,172,500
Radiant Principles Sdn. Bhd.				
- Andre Anthony a/l Hubert Rene	76,836,300	-	-	76,836,300

* Deemed interest under Section 122(A) of the Act by virtue of shares held by his spouse and parent.

** Deemed interest under Section 6A(4) of the Act by virtue of shares held by Rio Capital Sdn. Bhd.

By virtue of their interests in the shares of the Company, all the Directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Privasia Technology Berhad has an interest.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year under review.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provisions made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year other than as disclosed in Note 29 to the financial statements.

Other statutory information (continued)

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Ali bin Abdul Kadir
Director

Puvanesan a/l Subenthiran
Director

Petaling Jaya

Date: 24 April 2013

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012

	Note	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
Assets							
Property, plant and equipment	3	21,225,541	24,935,059	17,804,043	-	-	-
Investment property	4	6,362,764	6,431,579	6,500,000	-	-	-
Intangible assets	5	38,280,246	39,731,685	40,761,873	-	-	-
Investment in subsidiaries	6	-	-	-	57,933,179	56,820,000	56,820,000
Trade and other receivables	7	-	843,750	750,000	-	-	-
Deferred tax assets	15	82,033	-	-	-	-	-
Total non-current assets		65,950,584	71,942,073	65,815,916	57,933,179	56,820,000	56,820,000
Inventories	8	1,654,320	1,604,097	1,987,801	-	-	-
Work-in-progress	9	1,856,888	2,641,930	1,891,995	-	-	-
Tax recoverable	10	9,248	258,920	10,490	-	-	-
Available-for-sale financial assets	11	-	1,048,879	1,026,336	-	-	-
Trade and other receivables	7	26,524,958	17,872,122	15,120,918	920,891	29,620	3,250
Cash and cash equivalents	12	13,150,993	8,254,276	7,447,662	2,253	3,427	3,537
Total current assets		43,196,407	31,680,224	27,485,202	923,144	33,047	6,787
Total assets		109,146,991	103,622,297	93,301,118	58,856,323	56,853,047	56,826,787

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012

	Note	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
Equity							
Share capital	13	55,820,002	55,820,002	55,820,002	55,820,002	55,820,002	55,820,002
Reserves	13	15,151,718	11,753,430	7,475,418	2,417,034	397,779	(883,902)
Total equity attributable to owners of the Company		70,971,720	67,573,432	63,295,420	58,237,036	56,217,781	54,936,100
Non-controlling interests		(19,818)	633,685	355,390	-	-	-
Total equity		70,951,902	68,207,117	63,650,810	58,237,036	56,217,781	54,936,100
Liabilities							
Loans and borrowings	14	16,021,221	18,912,224	18,378,430	-	-	-
Deferred tax liabilities	15	126,925	74,289	108,000	-	-	-
Total non-current liabilities		16,148,146	18,986,513	18,486,430	-	-	-
Loans and borrowing	14	8,090,910	7,881,555	4,906,011	-	-	-
Trade and other payables	16	12,728,148	8,074,223	6,091,976	574,559	635,266	1,890,687
Taxation		1,227,885	472,889	165,891	44,728	-	-
Total current liabilities		22,046,943	16,428,667	11,163,878	619,287	635,266	1,890,687
Total liabilities		38,195,089	35,415,180	29,650,308	619,287	635,266	1,890,687
Total equity and liabilities		109,146,991	103,622,297	93,301,118	58,856,323	56,853,047	56,826,787

The notes on pages 42 to 107 are an integral part of these financial statements.

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Revenue		60,646,690	44,070,540	5,356,970	2,500,000
Cost of sales		(40,080,450)	(27,830,265)	-	-
Gross profit		20,566,240	16,240,275	5,356,970	2,500,000
Other income		328,091	452,933	-	-
Other operating expenses		(10,586,953)	(9,373,705)	(2,176,587)	(660,119)
Results from operating activities		10,307,378	7,319,503	3,180,383	1,839,881
Finance income		169,457	166,587	-	-
Finance cost		(1,582,040)	(1,721,453)	-	-
Profit before tax	17	8,894,795	5,764,637	3,180,383	1,839,881
Tax expense	18	(3,904,487)	(645,270)	(44,728)	-
Net profit for the year		4,990,308	5,119,367	3,135,655	1,839,881
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Change in fair value of available-for-sale financial assets		(20,553)	(4,860)	-	-
Total comprehensive income for the year		4,969,755	5,114,507	3,135,655	1,839,881
Profit attributable to:					
Owners of the Company		4,939,068	4,841,072	3,135,655	1,839,881
Non-controlling interests		51,240	278,295	-	-
Net profit for the year		4,990,308	5,119,367	3,135,655	1,839,881
Total comprehensive income attributable to:					
Owners of the Company		4,918,515	4,836,212	3,135,655	1,839,881
Non-controlling interests		51,240	278,295	-	-
Total comprehensive income for the year		4,969,755	5,114,507	3,135,655	1,839,881
Basic earnings per ordinary share (sen)	20	0.88	0.87		

The notes on pages 42 to 107 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	<--------*Attributable to owners of the Company*-------->					
	<----*Non-distributable*---->		*Distributable*			
	Share capital RM	**Fair value reserve RM**	**Retained earnings RM**	**Subtotal RM**	**Non-controlling interests RM**	**Total equity RM**
At 1 January 2011	55,820,002	25,413	7,450,005	63,295,420	355,390	63,650,810
Change in fair value of available-for-sale financial assets	-	(4,860)	-	(4,860)	-	(4,860)
Total other comprehensive income for the year	-	(4,860)	-	(4,860)	-	(4,860)
Net profit for the year	-	-	4,841,072	4,841,072	278,295	5,119,367
Total comprehensive income for the year	-	(4,860)	4,841,072	4,836,212	278,295	5,114,507
Contributions by and distribution to owners of the Company						
- Dividends paid	-	-	(558,200)	(558,200)	-	(558,200)
Total transactions with owners of the Company	-	-	(558,200)	(558,200)	-	(558,200)
At 31 December 2011/1 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
Contributions by and distribution to owners of the Company						
- Dividends paid	-	-	(1,116,400)	(1,116,400)	(45,391)	(1,161,791)
Changes in ownership interests in a subsidiary	-	-	(403,827)	(403,827)	(659,352)	(1,063,179)
Total transactions with owners of the Company	-	-	(1,520,227)	(1,520,227)	(704,743)	(2,224,970)
At 31 December 2012	55,820,002	-	15,151,718	70,971,720	(19,818)	70,951,902

The notes on pages 42 to 107 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

Company	Share capital RM	(Accumulated losses)/ Retained profits RM	Total RM
At 1 January 2011	55,820,002	(883,902)	54,936,100
Total comprehensive income for the year	-	1,839,881	1,839,881
Dividends paid	-	(558,200)	(558,200)
Total transactions with owners of the Company	-	(558,200)	(558,200)
At 31 December 2011/1 January 2012	55,820,002	397,779	56,217,781
Total comprehensive income for the year	-	3,135,655	3,135,655
Dividends paid	-	(1,116,400)	(1,116,400)
Total transactions with owners of the Company	-	(1,116,400)	(1,116,400)
At 31 December 2012	55,820,002	2,417,034	58,237,036
	Note 13		

The notes on pages 42 to 107 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2012

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Cash flows from operating activities				
Profit before tax	8,894,795	5,764,637	3,180,383	1,839,881
Adjustments for:				
Amortisation of intangible assets	1,535,121	2,464,848	-	-
Depreciation of investment property	68,815	68,421	-	-
Depreciation of property, plant and equipment	7,386,929	5,999,578	-	-
Development costs written off	18,224	307,351	-	-
Finance costs	1,582,040	1,721,453	-	-
Finance income	(169,457)	(166,587)	-	-
Gain on disposal of available-for-sale financial assets	(45,401)	-	-	-
Gain on disposal of property, plant and equipment	(13,576)	(3,584)	-	-
Impairment loss on trade receivables	332,753	179,411	-	-
Loss on disposal of investment in subsidiary	49,999	-	-	-
Property, plant and equipment written off	941	-	-	-
Other receivables written off	600	-	-	-
Work-in-progress written off	118,000	-	-	-
Operating profit before changes in working capital	19,759,783	16,335,528	3,180,383	1,839,881
Changes in working capital:				
Inventories	(50,223)	383,704	-	-
Trade and other payables	4,653,925	1,982,247	(60,707)	(1,255,421)
Trade and other receivables	(8,142,439)	(3,051,768)	(891,271)	(26,370)
Work-in-progress	667,042	(749,935)	-	-
Cash generated from operations	16,888,088	14,899,776	2,228,405	558,090
Finance income	167,280	166,587	-	-
Tax paid	(2,929,216)	(620,413)	-	-
Net cash generated from operating activities	14,126,152	14,445,950	2,228,405	558,090

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash flows from investing activities					
Acquisition of intangible assets		(101,906)	(1,742,011)	-	-
Acquisition of property, plant and equipment		(3,678,397)	(13,146,790)	-	-
Increase in investment in subsidiary		(1,113,179)	-	(1,113,179)	-
Proceeds from disposal of property, plant and equipment		13,621	19,780	-	-
Proceeds from disposal of investment in subsidiary		1	-	-	-
Proceeds from disposal of available-for-sale financial asset		1,075,904	-	-	-
Net cash used in investing activities		(3,803,956)	(14,869,021)	(1,113,179)	-
Cash flows from financing activities					
Dividends paid		(1,161,791)	(558,200)	(1,116,400)	(558,200)
(Increase)/Decrease in pledged deposits		(1,014,362)	29,761	-	-
Finance costs		(1,582,040)	(1,721,453)	-	-
(Repayment of)/Proceed from loan and borrowings		(2,681,648)	3,509,338	-	-
Net cash (used in)/generated from financing activities		(6,439,841)	1,259,446	(1,116,400)	(558,200)
Net increase/(decrease) in cash and cash equivalents		3,882,355	836,375	(1,174)	(110)
Cash and cash equivalents at beginning of year		7,196,552	6,360,177	3,427	3,537
Cash and cash equivalents at end of year	*(i)*	11,078,907	7,196,552	2,253	3,427

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
	Note	**2012 RM**	**2011 RM**	**2012 RM**	**2011 RM**
Cash and bank balances		4,081,138	3,710,790	2,253	3,427
Deposits placed with licensed banks		9,069,855	4,543,486	-	-
		13,150,993	8,254,276	2,253	3,427
Less: Deposits pledged with licensed banks	12	(2,072,086)	(1,057,724)	-	-
		11,078,907	7,196,552	2,253	3,427

The notes on pages 42 to 107 are an integral part of these financial statements.

Privasia Technology Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The addresses of its principal place of business and registered office are as follows:

Principal place of business
Unit C-21-05
3 Two Square
No. 2, Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan

Registered office
13A, Jalan SS21/56B
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements as at and for the financial year ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2012 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were approved by the Board of Directors on 24 April 2013.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. These are the Group and Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. The financial impacts on transition to MFRSs are disclosed in Note 31.

The Group and the Company have early adopted the amendments to MFRS 101, *Presentation of Financial Statements* which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (2011)
- MFRS 127, *Separate Financial Statements* (2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (continued)

- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013, except for IC Interpretation 20 which is not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

The initial application of other standards, amendments and interpretations is not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than:

(i) Impairment of goodwill and intangible assets (Note 5)
(ii) Impairment losses on trade and other receivables (Note 7)
(iii) Deferred tax assets (Note 15)
(iv) Income taxes (Note 18)

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

2. Significant accounting policies (continued)

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combination

Business combinations are accounted for using acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combination (continued)

Acquisition before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisition before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(iii) Acquisition of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for-sale category comprises investments in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss.

Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant component of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	50 years
• Computer equipment	3 - 5 years
• Office equipment	3 - 5 years
• Telecommunication equipment	5 years
• Renovation	3 - 5 years
• Motor vehicles	5 years
• Small value assets	1 year

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(e) Leased assets

Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership, are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

2. Significant accounting policies (continued)

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less accumulated impairment losses.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquire.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group are measured at cost less accumulated amortisation and any accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as an expense as incurred.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(v) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Software costs 3 - 5 years
- Development costs 3 - 5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(g) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings.

2. Significant accounting policies (continued)

(g) Investment property (continued)

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(iii) Determination of fair value

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the expenditure incurred in acquiring the inventories and bringing them to their existing location and condition and is determined on first in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Work-in-progress

Work-in-progress is measured at the lower of cost and net realisable value. The cost of work-in-progress includes expenditure, license fees and other incidental costs incurred in developing the work-in-progress.

2. Significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment

(i) Financial assets

All financial assets (except for investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the recoverable value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating units (groups of cash-generating units) on a *pro rata* basis.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies (continued)

(m) Employee benefits (continued)

(ii) Statutory pension funds

The Group's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(o) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in proportion to the stage of completion, unless they are incidental to the sale of product in which case they are recognised when the goods are sold. The stage of completion is assessed by reference to surveys of work performed to date as percentage of total services to be performed. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

2. Significant accounting policies (continued)

(o) Revenue (continued)

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income from subleased property is recognised as other income in profit or loss.

(v) Finance income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2. Significant accounting policies (continued)

(q) Tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary difference: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

(r) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

3. Property, plant and equipment

Group	Buildings RM	Computer equipment RM	Office equipment RM	Telecommu-nication equipment RM	Renovation RM	Motor vehicles RM	Small value assets RM	Total RM
Cost								
At 1 January 2011	8,000,000	10,429,594	2,026,549	2,909,738	536,351	3,245	38,336	23,943,813
Additions	-	5,392,961	25,570	7,683,904	24,922	-	19,433	13,146,790
Disposals	-	(47,978)	(3,194)	-	-	-	-	(51,172)
At 31 December 2011/ 1 January 2012	8,000,000	15,774,577	2,048,925	10,593,642	561,273	3,245	57,769	37,039,431
Additions	-	1,345,790	403,539	1,825,303	8,650	84,110	11,005	3,678,397
Disposals	-	(324,517)	-	-	-	-	-	(324,517)
Written off	-	(40,181)	-	(1,064)	-	-	-	(41,245)
At 31 December 2012	8,000,000	16,755,669	2,452,464	12,417,881	569,923	87,355	68,774	40,352,066
Accumulated depreciation								
At 1 January 2011	-	3,826,695	755,411	1,133,564	384,785	1,325	37,990	6,139,770
Charge for the year	84,211	3,085,313	698,954	1,965,972	149,455	794	14,879	5,999,578
Disposals	-	(33,486)	(1,490)	-	-	-	-	(34,976)
At 31 December 2011/ 1 January 2012	84,211	6,878,522	1,452,875	3,099,536	534,240	2,119	52,869	12,104,372
Charge for the year	84,695	4,354,010	636,486	2,281,073	15,893	2,195	12,577	7,386,929
Disposals	-	(324,472)	-	-	-	-	-	(324,472)
Written off	-	(40,180)	-	(124)	-	-	-	(40,304)
At 31 December 2012	168,906	10,867,880	2,089,361	5,380,485	550,133	4,314	65,446	19,126,525

3. Property, plant and equipment (continued)

Group	Buildings RM	Computer equipment RM	Office equipment RM	Telecommu-nication equipment RM	Renovation RM	Motor vehicles RM	Small value assets RM	Total RM
Carrying amounts								
At 1 January 2011	8,000,000	6,602,899	1,271,138	1,776,174	151,566	1,920	346	17,804,043
At 31 December 2011/ 1 January 2012	7,915,789	8,896,055	596,050	7,494,106	27,033	1,126	4,900	24,935,059
At 31 December 2012	7,831,094	5,887,789	363,103	7,037,396	19,790	83,041	3,328	21,225,541

At 31 December 2012, buildings of the Group with carrying amount of RM7,831,094 (31.12.2011: RM7,915,789; 1.1.2011: RM8,000,000) have been pledged as security for loan from a licensed bank (see Note 14).

The fair value of the Group's buildings as at 1 January 2011 of RM8,000,000 is based on professional appraisal by an independent valuer, Raine & Horne International Zaki + Partners Sdn. Bhd.

As at 31 December 2012, the fair value of the Group's buildings of RM8,000,000 was reaffirmed by the same valuer.

4. Investment property

	Group RM
Cost	
At 1 January 2011/31 December 2011/31 December 2012	6,500,000
Accumulated depreciation	
At 1 January 2011	-
Charge for the year	68,421
At 31 December 2011/1 January 2012	68,421
Charge for the year	68,815
At 31 December 2012	137,236
Carrying amount	
At 1 January 2011	6,500,000
At 31 December 2011/1 January 2012	6,431,579
At 31 December 2012	6,362,764

Investment property comprises a number of commercial properties that are leased or available for lease to third parties. Each of the leases contains an initial non-cancellable period of one to six months (see Note 25). Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

Subsequent to the year end, a commercial property with carrying amount of RM1,959,543 has been transferred to property, plant and equipment as the commercial property is occupied by companies in the Group.

The following are recognised in profit or loss in respect of investment property:

	Group 2012 RM	Group 2011 RM
Rental income	287,223	291,126
Direct operating expenses	(328,127)	(442,377)

At 31 December 2012, investment property of the Company with carrying amount of RM6,362,764 (31.12.2011: RM6,431,579; 1.1.2011: RM6,500,000) have been pledged as security for loan from a licensed bank (see Note 14).

4. Investment property (continued)

The fair value of the Group's investment property as at 1 January 2011 of RM6,500,000 is based on professional appraisal by an independent valuer, Raine & Horne International Zaki + Partners Sdn. Bhd.

As at 31 December 2012, the fair value of the Group's investment property of RM6,500,000 was reaffirmed by the same valuer.

5. Intangible assets

Group	Goodwill RM	Development costs RM	Software costs RM	Total RM
Cost				
At 1 January 2011	36,005,230	7,559,797	875,917	44,440,944
Additions	-	114,786	1,627,225	1,742,011
Written off	-	(307,351)	-	(307,351)
At 31 December 2011/ 1 January 2012	36,005,230	7,367,232	2,503,142	45,875,604
Additions	-	44,628	57,278	101,906
Written off	-	(18,224)	-	(18,224)
At 31 December 2012	36,005,230	7,393,636	2,560,420	45,959,286
Accumulated amortisation				
At 1 January 2011	-	3,282,147	396,924	3,679,071
Amortisation for the year	-	1,840,904	623,944	2,464,848
At 31 December 2011/ 1 January 2012	-	5,123,051	1,020,868	6,143,919
Amortisation for the year	-	960,919	574,202	1,535,121
At 31 December 2012	-	6,083,970	1,595,070	7,679,040
Carrying amounts				
At 1 January 2011	36,005,230	4,277,650	478,993	40,761,873
At 31 December 2011/ 1 January 2012	36,005,230	2,244,181	1,482,274	39,731,685
At 31 December 2012	36,005,230	1,309,666	965,350	38,280,246

5. Intangible assets (continued)

5.1 Amortisation

The amortisation of development costs and software costs are recognised in cost of sales.

5.2 Impairment testing for cash-generating units ("CGU") containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group 1.1.2011/ 31.12.2011/ 31.12.2012 RM	Discount rate %
Cash generating unit		
Outsourcing and Consulting ("OSD")	24,043,836	11.00
E-procurement ("E-proc")	7,145,220	11.00
Information and Communication Technologies Distribution ("CDIST")	3,251,323	11.00
Information and Communication Technologies Services ("CSERV")	1,095,855	11.00
Satellite-based network services ("SAT")	468,996	11.00
	36,005,230	

The CGUs, having built technical expertise and reputation in the IT and telecommunications industry, would also be able to expand into more strategic business models serving their potential clientele by leveraging on each other's experience and resources.

5. Intangible assets (continued)

5.2 Impairment testing for cash-generating units ("CGU") containing goodwill (continued)

The recoverable amounts of the CGU are based on their value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial forecasts approved by management. The key assumptions for the computation of value-in-use include the discount rates and growth rates applied. Discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium at the date of assessment of the Group. The growth rate of revenue is expected to be equivalent to the historical industry growth rate of 5% per annum.

The cash flow projections are based on eight (8) years financial budgets approved by management. These represent management's assessment of future trends in the information technology industry and are based on both external sources and internal sources (historical data).

Management believes that any reasonable possible changes in the above key assumptions applied will not cause the carrying values of the CGUs to materially exceed their recoverable amounts.

Based on this review, the Directors are of the opinion that there is no evidence of impairment on the Group's goodwill.

6. Investment in subsidiaries

	Company		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
At cost:			
Unquoted shares	57,933,179	56,820,000	56,820,000
	========	========	========

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows:

Name of subsidiary	**Principal activities**	**Effective ownership interest**		
		31.12.2012	**31.12.2011**	**1.1.2011**
		%	**%**	**%**
Privasia Sdn. Bhd.	Outsourcing, consultation, e-procurement and related functions	100	100	100
Privanet Sdn. Bhd.	Provision of total wireless and communication solutions	100	100	100

6. Investment in subsidiaries (continued)

Name of subsidiary	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
IPSAT Sdn. Bhd.	Providing high speed internet broadband access (satellite services)	100	70	70
Subsidiaries of Privasia Sdn. Bhd.:				
Privasia (Sabah) Sdn. Bhd.	Dormant	100	100	100
Privacom Sdn. Bhd.	Dealer in data processing equipment, computer systems and provision of telecommunication and computer network consultancy services	100	100	100
Subsidiaries of Privanet Sdn. Bhd.:				
Privatel Sdn. Bhd. (formerly known as Airoport.com Sdn. Bhd.)	Provision of mobile development and services multimedia content	75	100	100
Privanet Distribution Sdn. Bhd.	Trading of electronic and tele-communication equipment	100	100	100

All the subsidiaries are audited by KPMG.

Significant events affecting the Group's subsidiaries during the year are as follows:

a) Acquisition of remaining shares in IPSAT Sdn. Bhd.

On 22 May 2012, the Company acquired 300,000 ordinary shares of RM1.00 each, representing the remaining 30% equity in IPSAT Sdn. Bhd. for a total cash consideration of RM1,113,179.

b) Subscription of additional equity interest in Privanet Distribution Sdn. Bhd.

On 1 November 2012, Privanet Distribution Sdn. Bhd., a wholly-owned subsidiary of Privanet Sdn. Bhd., increased its authorised share capital from 100,000 to 500,000 ordinary shares of RM1.00 each by the creation of additional 400,000 ordinary shares of RM1.00 each and increased its issued and paid-up capital from 3 to 500,000 ordinary shares of RM1.00 each with the issuance of 499,997 new ordinary shares of RM1.00 each to Privanet Sdn. Bhd. for a total cash consideration of RM499,997.

6. Investment in subsidiaries (continued)

c)Disposal of equity interest in Privatel Sdn. Bhd.

On 31 December 2012, Privanet Sdn. Bhd. disposed of 50,000 ordinary shares of RM1.00 each, representing 25% of its equity interest in Privatel Sdn. Bhd. (formerly known as Airoport.com Sdn. Bhd.) ("Privatel"), to a Director of Privatel for a cash consideration of RM1.00.

7. Trade and other receivables

		Group			Company		
	Note	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
		RM	RM	RM	RM	RM	RM
Non-current							
Trade							
Retention sums	7.1	-	843,750	750,000	-	-	-
Total non-current		-	843,750	750,000	-	-	-
Current							
Trade							
Trade receivables		23,899,706	16,462,635	14,007,910	-	-	3,250
Allowance for impairment loss		(632,337)	(299,584)	(120,173)	-	-	-
		23,267,369	16,163,051	13,887,737	-	-	3,250
		23,267,369	17,006,801	14,637,737	-	-	3,250
Non-trade							
Amount due from related companies	7.2	-	-	26,036	212,609	-	-
Amount due from subsidiaries	7.2	-	-	-	679,555	-	-
Other receivables		282,496	206,259	308,199	-	-	-
Deposits		372,418	350,889	336,297	2,000	-	-
Prepayments	7.3	2,602,675	1,151,923	562,649	26,727	29,620	-
		3,257,589	1,709,071	1,233,181	920,891	29,620	-
Total current		26,524,958	17,872,122	15,120,918	920,891	29,620	3,250
Total trade and other receivables		26,524,958	18,715,872	15,870,918	920,891	29,620	3,250

7. Trade and other receivables (continued)

7.1 Retention sums

The trade-related non-current retention sums in the previous years were in relation to amounts retained by customers until the completion of the respective projects. During the current year, the amounts have been reclassified under current assets.

7.2 Amounts due from related companies and subsidiaries

The amounts due from related companies and subsidiaries are unsecured, interest free and repayable on demand.

7.3 Prepayments

Prepayments of the Group as at 31 December 2012 included RM2,099,529 of prepayment of deposits for computer equipment which were delivered and capitalised as assets in the subsequent financial year.

8. Inventories

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
At cost:			
Finished goods	1,654,320	1,604,097	1,987,801
	=======	=======	=======

9. Work-in-progress

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
At cost:			
Work-in-progress	1,856,888	2,641,930	1,891,995
	=======	=======	=======

10. Tax recoverable

Tax recoverable is subject to approval by the Inland Revenue Board of Malaysia.

11. Available-for-sale financial assets

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At fair value:			
Quoted unit trust	-	1,048,879	1,026,336
	=======	=======	=======

As part of its treasury management activities, the Group invested its cash surplus in short term money market unit trusts. The Group uplifted its short term money market unit trust during the current financial year.

12. Cash and cash equivalents

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Deposits placed with licensed banks	9,069,855	4,543,486	4,003,096	-	-	-
Cash and bank balances	4,081,138	3,710,790	3,444,566	2,253	3,427	3,537
	13,150,993	8,254,276	7,447,662	2,253	3,427	3,537
	========	========	========	=====	=====	=====

12.1 Deposits placed with licensed banks pledged for a bank facility

Included in the deposits placed with licensed banks of the Group as at 31 December 2012 is RM2,072,086 (31.12.2011: RM1,057,724; 1.1.2011: RM1,087,485) pledged for a bank facility granted to the Group's subsidiaries.

13. Capital and reserves

	Group and Company					
	Amount 31.12.2012 RM	Number of shares 31.12.2012	Amount 31.12.2011 RM	Number of shares 31.12.2011	Amount 1.1.2011 RM	Number of shares 1.1.2011
Ordinary shares of RM0.10 each						
Authorised:						
At 1 January/ 31 December	100,000,000	1,000,000,000	100,000,000	1,000,000,000	100,000,000	1,000,000,000
Issued and fully paid:						
At 1 January/ 31 December	55,820,002	558,200,020	55,820,002	558,200,020	55,820,002	558,200,020

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Retained profits

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As the Company was incorporated in the year of assessment 2008, it will be placed on the single tier dividend system.

14. Loans and borrowings

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Non-current			
Secured loans from licensed banks	16,021,221	18,912,224	18,378,430
Current			
Secured loans from licensed banks	8,090,910	7,881,555	4,906,011
Total	24,112,131	26,793,779	23,284,441

14.1 Security

The bank loans are secured over buildings in property, plant and equipment with a carrying amount of RM7,831,094 (31.12.2011: RM7,915,789; 1.1.2011: RM8,000,000) (see Note 3) and investment property with a carrying amount of RM6,362,764 (31.12.2011: RM6,431,579; 1.1.2011: RM6,500,000) (see Note 4).

In addition, the bank loans are also secured on all contract proceeds from the major customer of the Group and debenture by way of a fixed and floating charge on all present and future assets of the Group.

14.2 Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 5 years RM	Over 5 years RM
31.12.2012					
Secured bank loans - licensed banks	2022	24,112,131	8,090,910	8,876,602	7,144,619
31.12.2011					
Secured bank loans - licensed banks	2015	26,793,779	7,881,555	18,912,224	-
1.1.2011					
Secured bank loans - licensed banks	2015	23,284,441	4,906,011	18,378,430	-

15. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
Group	**31.12.2012 RM**	**31.12.2011 RM**	**1.1.2011 RM**	**31.12.2012 RM**	**31.12.2011 RM**	**1.1.2011 RM**	**31.12.2012 RM**	**31.12.2011 RM**	**1.1.2011 RM**
Property, plant and equipment	80,047	-	-	(175,745)	(115,438)	(108,000)	(95,698)	(115,438)	(108,000)
Provisions	50,806	41,149	-	-	-	-	50,806	41,149	-
Tax assets/(liabilities)	130,853	41,149	-	(175,745)	(115,438)	(108,000)	(44,892)	(74,289)	(108,000)
Set-off of tax	(48,820)	(41,149)	-	48,820	41,149	-	-	-	-
Net tax assets/(liabilities)	82,033	-	-	(126,925)	(74,289)	(108,000)	(44,892)	(74,289)	(108,000)

Movement in temporary differences during the year

Group	**At 1.1.2011 RM**	**Recognised in profit or loss RM**	**At 31.12.2011 RM**	**Recognised in profit or loss RM**	**At 31.12.2012 RM**
Property, plant and equipment	108,000	7,438	115,438	(19,740)	95,698
Provisions	-	(41,149)	(41,149)	(9,657)	(50,806)
	108,000	(33,711)	74,289	(29,397)	44,892
		Note 18		Note 18	

15. Deferred tax assets/(liabilities) (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2012 RM	2011 RM
Unutilised tax losses	18,177,229	18,140,721
Other deductible temporary differences	1,289,420	1,086,842
	19,466,649	19,227,563

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%).

16. Trade and other payables

	Note	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
Trade							
Trade payables		9,464,495	5,909,783	3,923,651	-	-	-
Non-trade							
Amount due to subsidiaries	16.1	-	-	-	496,702	442,156	1,824,375
Other payables and accruals		3,263,653	2,164,440	2,168,325	77,857	193,110	66,312
		3,263,653	2,164,440	2,168,325	574,559	635,266	1,890,687
		12,728,148	8,074,223	6,091,976	574,559	635,266	1,890,687

16.1 Amount due to subsidiaries

The amount due to subsidiaries is unsecured, interest free and repayable on demand.

17. Profit before tax

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Profit before tax is arrived at after charging:				
Amortisation of intangible assets	1,535,121	2,464,848	-	-
Auditors' remuneration				
- Statutory audit services	100,000	88,000	39,000	38,000
- Other services	39,200	36,300	12,000	5,000
Bad debts written off	-	50,405	-	-
Depreciation of investment property	68,815	68,421	-	-
Depreciation of property, plant and equipment	7,386,929	5,999,578	-	-
Development cost written off	18,224	307,351	-	-
Directors' remuneration	951,965	760,840	951,965	165,000
Finance costs	1,582,040	1,721,453	-	-
Loss on disposal of investment in subsidiary	49,999	-	-	-
Impairment loss on trade receivables	332,753	179,411	-	-
Other receivables write off	600	-	-	-
Personnel expenses				
- Contributions to Employees' Provident Fund	894,693	763,524	101,124	-
- Wages, salaries and others	6,787,707	7,223,787	744,833	-
Property, plant and equipment written off	941	-	-	-
Rental expenses	267,381	138,042	-	-
Work-in-progress write off	118,000	-	-	-
and after crediting:				
Gain on disposal of available-for-sale financial asset	45,401	-	-	-
Gain on disposal of property, plant and equipment	13,576	3,584	-	-
Interest income	169,457	166,587	-	-
Realised and unrealised gain on foreign exchange	16,764	7,944	-	-
Rental income	287,223	291,126	-	-

18. Tax expense

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Current tax expense				
- Current year	3,911,995	621,905	44,728	-
- Prior year	21,889	57,076	-	-
	3,933,884	678,981	44,728	-
Deferred tax expense				
- Reversal of temporary differences	(44,560)	(33,711)	-	-
- Under provision in prior year	15,163	-	-	-
	(29,397)	(33,711)	-	-
Total tax expense	3,904,487	645,270	44,728	-

Reconciliation of tax expense

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Profit before tax	8,894,795	5,764,637	3,180,383	1,839,881
Income tax calculated using Malaysia tax rate of 25%	2,223,699	1,441,159	795,096	459,970
Non-deductible expenses	603,954	259,779	145,684	-
Effect of deferred tax not recognised	59,772	1,654,255	-	-
Effect of deferred tax recognised	967,299	-	-	-
Taxation exempted	-	(2,753,835)	(896,052)	(459,970)
Others	12,711	(13,164)	-	-
Under provision in prior years	37,052	57,076	-	-
	3,904,487	645,270	44,728	-

The government of Malaysia awarded Multimedia Super Corridor ("MSC") status to the Company on 23 January 2002. With the granting of MSC status, the Company was exempted from tax on 100% of statutory income from qualifying activities for an initial period of 5 years. The extension of MSC status was approved by the authorities concerned for another 5 years to 23 January 2012. On 24 January 2012, the Company's MSC status had expired.

19. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Directors:				
Allowance	17,000	21,000	17,000	21,000
Fees	144,000	144,000	144,000	144,000
Salaries	547,200	456,000	547,200	-
Employees' Provident Fund	87,096	63,840	87,096	-
Benefit-in-kind	136,800	76,000	136,800	-
Others	19,869	-	19,869	-
Total short-term employee benefits	951,965	760,840	951,965	165,000

20. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2012	2011
	RM	RM
Profit attributable to ordinary shareholders	4,939,068	4,841,072
Weighted average number of ordinary shares		
At 1 January/31 December	558,200,020	558,200,020
Basic earnings per ordinary share (sen)	0.88	0.87

Diluted earnings per ordinary share

Diluted earnings per ordinary share (sen)	0.88	0.87

The Group has no dilution in its earnings per ordinary share in the current financial year as there are no dilutive potential ordinary shares. Therefore, no consideration for adjustment in the form of increase in the number of shares was used in calculating the potential dilution of its earnings per share.

21. Dividends

Dividends recognised by the Company:

	Sen per share (net of tax)	Total amount RM	Date of payment
2012			
Final 2011 ordinary	0.20	1,116,400	30 July 2012
		=======	
2011			
Final 2010 ordinary	0.10	558,200	30 June 2011
		=======	

After the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in the subsequent financial period upon approval by the shareholders.

	Sen per share (net of tax)	Total amount RM
Final 2012 ordinary	0.30	1,674,600
		=======

The Directors do not recommend any other dividends to be paid for the year under review.

22. Operating segments

The Group has five 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 reportable segments:

- Outsourcing and Consulting ("OSD")
  The OSD segment covers two main areas: IT infrastructure outsourcing and consultancy and systems integration.

- E-Procurement ("E-Proc")
  The E-Proc segment provides procurement management.

- Information and Communication Technologies Distribution ("CDIST")
  The CDIST segment provides wireless broadband infrastructure, comprehensive mobile and wireless communications consultancy, and systems development for CDIST and mobile solutions providers and enterprises.

- Information and Communication Technologies Services ("CSERV")
  The CSERV segment provides Information and Communication Technologies.

- 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 (the chief operating decision maker). 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.

Segment assets and liabilities

The total of segment assets and liabilities are measured based on all assets (including goodwill) and liabilites of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

22. Operating segments (continued)

2012	OSD RM	E-PROC RM	CDIST RM	CSERV RM	SAT RM	Elimination RM	Total RM
Total segment revenue	32,229,073	8,402,577	6,351,480	2,097,236	12,293,971	(727,647)	60,646,690
Segment results	8,534,081	7,261,980	1,337,915	843,743	4,074,829	(1,486,308)	20,566,240
Other income							328,091
Other operating expenses							(10,586,953)
Results from operating activities							10,307,378
Investment income							169,457
Finance cost							(1,582,040)
Tax expense							(3,904,487)
Net profit for the year							4,990,308
Segment assets	64,973,854	2,266,064	6,840,721	6,779,568	7,049,177	(37,618,716)	50,290,668
Unallocated assets							58,856,323
Total assets							109,146,991
Segment liabilities	31,845,705	-	4,791,234	14,497,127	3,893,137	(17,451,400)	37,575,803
Unallocated liabilities							619,286
Total liabilities							38,195,089

22. Operating segments (continued)

2011	OSD RM	E-PROC RM	CDIST RM	CSERV RM	SAT RM	Elimination RM	Total RM
Total segment revenue	26,959,357	7,462,394	3,674,010	588,849	6,256,777	(870,847)	44,070,540
Segment results	5,989,883	6,537,640	1,317,189	(79,955)	2,475,518	-	16,240,275
Other income							452,933
Other operating expenses							(9,373,705)
Results from operating activities							7,319,503
Investment income							166,587
Finance cost							(1,721,453)
Tax expense							(645,270)
Net profit for the year							5,119,367
Segment assets	61,501,911	2,966,856	3,348,609	1,405,006	3,922,383	(26,375,515)	46,769,250
Unallocated assets							56,853,047
Total assets							103,622,297
Segment liabilities	32,248,056	-	2,209,331	8,780,470	1,810,100	(10,268,042)	34,779,915
Unallocated liabilities							635,265
Total liabilities							35,415,180

Geographical segments

The Group operates in a single geographical location, and hence, no geographical segment reporting is presented.

23. Financial instruments

23.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS"); and
(c) Other financial liabilities measured at amortised cost ("OL").

	Carrying amount RM	AFS RM	L&R/ (OL) RM
Group			
31 December 2012			
Financial assets			
Trade and other receivables	26,524,958	-	26,524,958
Cash and cash equivalents	13,150,993	-	13,150,993
	39,675,951	-	39,675,951
Financial liabilities			
Loans and borrowings	(24,112,131)	-	(24,112,131)
Trade and other payables	(12,728,148)	-	(12,728,148)
	(36,840,279)	-	(36,840,279)
31 December 2011			
Financial assets			
Trade and other receivables	18,715,872	-	18,715,872
Available-for-sale financial assets	1,048,879	1,048,879	-
Cash and cash equivalents	8,254,276	-	8,254,276
	28,019,027	1,048,879	26,970,148
Financial liabilities			
Loans and borrowings	(26,793,779)	-	(26,793,779)
Trade and other payables	(8,074,223)	-	(8,074,223)
	(34,868,002)	-	(34,868,002)

23. Financial instruments (continued)

23.1 Categories of financial instruments (continued)

	Carrying amount RM	AFS RM	L&R/ (OL) RM
Group			
1 January 2011			
Financial assets			
Trade and other receivables	15,870,918	-	15,870,918
Available-for-sale financial assets	1,026,336	1,026,336	-
Cash and cash equivalents	7,447,662	-	7,447,662
	24,344,916	1,026,336	23,318,580
Financial liabilities			
Loans and borrowings	(23,284,441)	-	(23,284,441)
Trade and other payables	(6,091,976)	-	(6,091,976)
	(29,376,417)	-	(29,376,417)
Company			
31 December 2012			
Financial assets			
Trade and other receivables	920,891	-	920,891
Cash and cash equivalents	2,253	-	2,253
	923,144	-	923,144
Financial liabilities			
Trade and other payables	(574,559)	-	(574,559)
31 December 2011			
Financial assets			
Trade and other receivables	29,620	-	29,620
Cash and cash equivalents	3,427	-	3,427
	33,047	-	33,047
Financial liabilities			
Trade and other payables	(635,266)	-	(635,266)

23. Financial instruments (continued)

23.1 Categories of financial instruments (continued)

	Carrying amount RM	AFS RM	L&R/ (OL) RM
Company			
1 January 2011			
Financial assets			
Trade and other receivables	3,250	-	3,250
Cash and cash equivalents	3,537	-	3,537
	6,787	-	6,787
Financial liabilities			
Trade and other payables	(1,890,687)	-	(1,890,687)

23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Net gains/(losses) on:				
Gain on disposal of available-for-sale financial assets	45,401	-	-	-
Loans and receivables				
- Impairment loss	(332,753)	(179,411)	-	-
- Bad debts written off	-	(50,405)	-	-
- Other receivables written off	(600)	-	-	-
- Interest income	169,457	166,587	-	-
Other liabilities				
- Interest expense	(1,582,040)	(1,721,453)	-	-
	(1,700,535)	(1,784,682)	-	-

23.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

23. Financial instruments (continued)

23.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on new customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

As at 31 December 2012, the Group has significant concentration of credit risk in the form of outstanding balances from 11 customers which amounted to RM17,279,117 representing 74% of total trade receivables. The Directors are of the opinion that the outstanding balances from these customers are fully recoverable based on the following:

- Significant payments have subsequently been received from certain customers after the reporting period;
- The Directors have made assessments that all these customers have the ability to repay the balances outstanding; and
- The Directors have received correspondence and confirmation that all these customers will repay the balances outstanding within agreed timelines.

The Group is involved in the contracting business where the nature is such that the timing of receipts are uncertain for various reasons, including timing of certification of work done and timing of repayment from the main contractor. The Group has entered into a small number of contracts, all of which are monitored individually for completion and payment by the Directors and management. The Directors are confident that, based on their knowledge of payment patterns and subsequent payments received, the Group is able to fully recover the amounts due from its customers.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balance past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at end of the reporting period by geographic region was:

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Malaysia	19,015,716	16,862,310	14,637,737
Indonesia	4,178,273	144,491	-
Hong Kong	73,380	-	-
	23,267,369	17,006,801	14,637,737

Impairment losses

The Company maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM	Individual impairment RM	Net RM
31 December 2012			
Not past due	14,828,338	-	14,828,338
Past due 1 – 30 days	1,535,792	(7,812)	1,527,980
Past due 31 – 120 days	3,072,642	(23,438)	3,049,204
Past due more than 120 days	4,462,934	(601,087)	3,861,847
	23,899,706	(632,337)	23,267,369

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

	Gross RM	Individual impairment RM	Net RM
31 December 2011			
Not past due	13,181,822	-	13,181,822
Past due 1 – 30 days	635,134	-	635,134
Past due 31 – 120 days	135,676	-	135,676
Past due more than 120 days	3,353,753	(299,584)	3,054,169
	17,306,385	(299,584)	17,006,801
1 January 2011			
Not past due	11,551,564	-	11,551,564
Past due 1 – 30 days	873,926	-	873,926
Past due 31 – 120 days	100,839	-	100,839
Past due more than 120 days	2,231,581	(120,173)	2,111,408
	14,757,910	(120,173)	14,637,737

The Directors have assessed the recoverability of trade and other receivables and are of the view that collective impairment is not required as at the year end.

The movement in the allowance for impairment losses of trade receivables during the financial year were:

	2012 RM	2011 RM
At 1 January	299,584	120,173
Impairment loss recognised	332,753	179,411
At 31 December	632,337	299,584

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Group monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM2,072,086 (31.12.2011: RM1,057,724; 1.1.2011: RM1,087,485) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Group provides unsecured loans and advances to related companies. The Company monitors the results of the related companies regularly.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the related companies are not recoverable. The Group does not specifically monitor the ageing of the advances to the subsidiaries.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents are placed with reputable financial institutions.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that cash and cash equivalents are not recoverable.

23.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

23. Financial instruments (continued)

23.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

Group	Carrying amount RM	Effective interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 5 years RM	More than 5 years RM
31 December 2012						
Secured bank loans	24,112,131	4.40 – 8.10	27,558,874	9,473,810	13,647,622	4,437,442
Trade and other payables	12,728,148	-	12,728,148	12,728,148	-	-
	36,840,279		40,287,022	22,201,958	13,647,622	4,437,442
31 December 2011						
Secured bank loans	26,793,779	6.87	32,495,852	9,522,876	22,972,976	-
Trade and other payables	8,074,223	-	8,074,223	8,074,223	-	-
	34,868,002		40,570,075	17,597,099	22,972,976	-
1 January 2011						
Secured bank loans	23,284,441	6.10	29,279,159	6,216,816	23,062,343	-
Trade and other payables	6,091,976	-	6,091,976	6,091,976	-	-
	29,376,417		35,371,135	12,308,792	23,062,343	-

23. Financial instruments (continued)

23.5 Liquidity risk (continued)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

23.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's financial position or cash flows.

23.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currency giving rise to this risk is primarily U.S. Dollars ("USD").

Risk management objectives, policies and processes for managing the risk

The Group did not hedge any foreign trade receivables or payables denominated in foreign currencies during the year. In respect of other monetary assets and liabilities held in currencies other than Ringgit Malaysia, the Group ensures that the net exposure is kept to an acceptable level.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in USD **RM**
31 December 2012	
Trade receivables	73,380
Trade payables	(1,667,454)
Net exposure	(1,594,074)
31 December 2011/1 January 2011	
Net exposure	-

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.1 Currency risk (continued)

Currency risk sensitivity analysis

Foreign currency risk arises for transactions denominated in U.S Dollar. The exposure to currency risk for transactions other than U.S Dollar is not material and hence, sensitivity analysis is not presented.

A 1 percent strengthening of the Ringgit Malaysia against the U.S Dollar at the end of the reporting period would have increased post-tax profit or loss by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	2012 RM	2011 RM
USD	15,940	-
	=====	=====

A 1 percent weakening of Ringgit Malaysia against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

23.6.2 Interest rate risk

The Group's borrowings are not exposed to a risk of change in their fair value due to changes in interest rates. The Group's borrowings are exposed to a risk of change in cash flows due to changes in interest rate. Receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group does not engage in any hedging activities to manage interest risk fluctuations.

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Fixed rate instruments			
Deposits placed with licensed banks	9,069,855	4,543,486	4,003,096
Floating rate instruments			
Loans and borrowings	24,112,131	26,793,779	23,284,441

Interest rate risk sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

23.7 Fair value of financial instruments

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.

23.7.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

23. Financial instruments (continued)

23.7 Fair value of financial instruments (continued)

23.7.1 Fair value hierarchy (continued)

The following table shows the Group's financial instruments which are measured at fair value at the reporting data analysed by level within the fair value hierarchy:

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
31 December 2012				
Financial assets				
Available-for-sale financial assets	-	-	-	-
31 December 2011				
Financial assets				
Available-for-sale financial assets	-	-	1,048,879	1,048,879
1 January 2011				
Financial assets				
Available-for-sale financial assets	-	-	1,026,336	1,026,336

The following table shows a reconciliation from the beginning balance to the ending balance for fair value measurements in Level 3 of the fair value hierarchy:

	Group	
	2012 RM	2011 RM
At 1 January	1,048,879	1,026,336
Additions	2,177	27,403
Change in fair value	24,848	(4,860)
Disposal	(1,075,904)	-
At 31 December	-	1,048,879

The Group had uplifted the available-for-sale financial asset during the current financial year.

24. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2012, 31 December 2011 and 1 January 2011 were as follows:

	Note	Group 31.12.2012 RM	 31.12.2011 RM	 1.1.2011 RM
Total loans and borrowings	14	24,112,131	26,793,779	23,284,441
Less : Cash and cash equivalents	12	(13,150,993)	(8,254,276)	(7,447,662)
Net debt		10,961,138	18,539,503	15,836,779
Total equity		70,951,902	68,207,117	63,650,810
Debt-to-equity ratio		0.15	0.27	0.25

There was no change in the Group's approach to capital management during the financial year.

Under the requirements of Bursa Malaysia Guidance Note 3, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid up capital (excluding treasury shares). The Group has complied with this requirement.

25. Operating leases

Leases as lessor

The Group leases out its investment property under operating leases (see Note 4). The future minimum lease payments under non-cancellable leases are as follows:

	Group 31.12.2012 RM	 31.12.2011 RM	 1.1.2011 RM
Less than one year	287,223	291,126	358,390

26. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

	Company	
	2012	**2011**
	RM	**RM**
Subsidiaries		
Management fees	1,772,764	-
	=======	=======
Common Director		
Professional fees	18,500	-
	=======	=======

27. Significant events during the year

27.1 On 22 May 2012, the Company acquired 300,000 ordinary shares of RM1.00 each, representing the remaining 30% equity in IPSAT Sdn. Bhd. for a total cash consideration of RM1,113,179;

27.2 On 1 November 2012, Privanet Distribution Sdn. Bhd., a subsidiary of Privanet Sdn. Bhd., increased its authorised share capital from 100,000 to 500,000 ordinary shares of RM1.00 each by the creation of additional 400,000 ordinary shares of RM1.00 each and increased its issued and paid-up capital from 3 to 500,000 ordinary shares of RM1.00 each with the issuance of 499,997 new ordinary shares of RM1.00 each to Privanet Sdn. Bhd. for a total cash consideration of RM499,997; and

27.3 On 31 December 2012, Privanet Sdn. Bhd. disposed of 500,000 ordinary shares of RM1.00 each, representing 25% of its equity interest in Privatel Sdn. Bhd. (formerly known as Airoport.com Sdn. Bhd.) (“Privatel”), to a Director of Privatel for a cash consideration of RM1.00.

28. Subsequent events

28.1 Subsequent to year end on 18 March 2013, Privanet Distribution Sdn. Bhd., a subsidiary of Privanet Sdn. Bhd. increased its authorised share capital from RM500,000 to RM1,000,000 ordinary shares of RM1.00 each by the creation of additional 500,000 ordinary shares of RM1.00 each.

Privanet Distribution Sdn. Bhd. also increased its issued and paid up share capital from RM500,000 to RM1,000,000 by way of Bonus Issue of 500,000 new ordinary shares of RM1.00 each.

28.2 On 23 April 2013, Privanet Sdn. Bhd. entered into a sale agreement with Low Peng Yew and Chan Yue Mun, who are non-related parties, for the disposal of 300,000 ordinary shares of RM1.00 each in its subsidiary, Privanet Distribution Sdn. Bhd., representing 30% of the entire issued and paid-up capital of Privanet Distribution Sdn. Bhd., for a total cash consideration of RM500,000.

In addition, Privanet Sdn. Bhd. also disposed the remaining 700,000 ordinary shares of RM1.00 each in Privanet Distribution Sdn. Bhd., representing the remaining 70% of the entire issued and paid up capital of Privanet Distribution Sdn. Bhd. to the Company.

29. Contingencies

29.1 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 Directors are of the opinion that provisions are not required in respect of this matter as the case is yet to be allocated for Court mention as it is still at the preliminary stage.

29.2 On 21 July 2011, Privanet Sdn. Bhd., a wholly-owned subsidiary of the Company, was served with a notice to attend a mention on 15 September 2011 at the Kuala Lumpur Industrial Court for an industrial court case. The case involved a claim of wrongful dismissal by a former employee, and the seeking of reinstatement to his former position/employment with Privanet Sdn. Bhd.

The claim has been withdrawn during the current financial year.

30. Capital commitment

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM
Authorised but not contracted for	-	870,102	12,623,380

31. Explanation of transition to MFRSs

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the year ended 31 December 2012, the comparative information presented in these financial statements for the year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have any financial impact to the seperate financial statements of the Company.

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs.

An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

31. Explanation of transition to MFRSs (continued)

31.1 Reconciliation of financial position

Group	Note	1.1.2011 FRSs RM	1.1.2011 Effect of transition to MFRSs RM	1.1.2011 MFRSs RM	31.12.2011 FRSs RM	31.12.2011 Effect of transition to MFRSs RM	31.12.2011 MFRSs RM
Assets							
Property, plant and equipment	*a*	16,201,285	1,602,758	17,804,043	23,349,670	1,585,389	24,935,059
Investment property	*b*	5,655,353	844,647	6,500,000	5,596,262	835,317	6,431,579
Intangible assets		40,761,873	-	40,761,873	39,731,685	-	39,731,685
Trade and other receivables		750,000	-	750,000	843,750	-	843,750
Total non-current assets		63,368,511	2,447,405	65,815,916	69,521,367	2,420,706	71,942,073
Inventories		1,987,801	-	1,987,801	1,604,097	-	1,604,097
Work-in-progress		1,891,995	-	1,891,995	2,641,930	-	2,641,930
Tax recoverable		10,490	-	10,490	258,920	-	258,920
Available-for-sale financial assets		1,026,336	-	1,026,336	1,048,879	-	1,048,879
Trade and other receivables		15,120,918	-	15,120,918	17,872,122	-	17,872,122
Cash and cash equivalents		7,447,662	-	7,447,662	8,254,276	-	8,254,276
Total current assets		27,485,202	-	27,485,202	31,680,224	-	31,680,224
Total assets		90,853,713	2,447,405	93,301,118	101,201,591	2,420,706	103,622,297

31. Explanation of transition to MFRSs (continued)

31.1 Reconciliation of financial position (continued)

Group	Note	1.1.2011 FRSs RM	1.1.2011 Effect of transition to MFRSs RM	1.1.2011 MFRSs RM	31.12.2011 FRSs RM	31.12.2011 Effect of transition to MFRSs RM	31.12.2011 MFRSs RM
Equity							
Share capital		55,820,002	-	55,820,002	55,820,002	-	55,820,002
Retained earnings	*c*	5,028,013	2,447,405	7,475,418	9,332,724	2,420,706	11,753,430
Equity attributable to owners of the Company		60,848,015	2,447,405	63,295,420	65,152,726	2,420,706	67,573,432
Non-controlling interests		355,390	-	355,390	633,685	-	633,685
Total equity		61,203,405	2,447,405	63,650,810	65,786,411	2,420,706	68,207,117
Liabilities							
Loans and borrowings		18,378,430	-	18,378,430	18,912,224	-	18,912,224
Deferred tax liabilities		108,000	-	108,000	74,289	-	74,289
Total non-current liabilities		18,486,430	-	18,486,430	18,986,513	-	18,986,513

31. Explanation of transition to MFRSs (continued)

31.1 Reconciliation of financial position (continued)

Group	Note	1.1.2011 FRSs RM	1.1.2011 Effect of transition to MFRSs RM	1.1.2011 MFRSs RM	31.12.2011 FRSs RM	31.12.2011 Effect of transition to MFRSs RM	31.12.2011 MFRSs RM
Loans and borrowings		4,906,011	-	4,906,011	7,881,555	-	7,881,555
Trade and other payables		6,091,976	-	6,091,976	8,074,223	-	8,074,223
Taxation		165,891	-	165,891	472,889	-	472,889
Total current liabilities		11,163,878	-	11,163,878	16,428,667	-	16,428,667
Total liabilities		29,650,308	-	29,650,308	35,415,180	-	35,415,180
Total equity and liabilities		90,853,713	2,447,405	93,301,118	101,201,591	2,420,706	103,622,297

31. Explanation of transition to MFRSs (continued)

31.2 Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2011

Group	Note	FRSs RM	Effect of transition to MFRSs RM	MFRSs RM
Revenue		44,070,540	-	44,070,540
Cost of sales		(27,830,265)	-	(27,830,265)
Gross profit		16,240,275	-	16,240,275
Other income		452,933	-	452,933
Other operating expenses	*a*, *b*	(9,347,006)	(26,699)	(9,373,705)
Results from operating activities		7,346,202	(26,699)	7,319,503
Finance income		166,587	-	166,587
Finance costs		(1,721,453)	-	(1,721,453)
Profit before tax		5,791,336	(26,699)	5,764,637
Tax expense		(645,270)	-	(645,270)
Net profit for the year		5,146,066	(26,699)	5,119,367
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
Changes in fair value of available-for-sale financial assets		(4,860)	-	(4,860)
Total comprehensive income for the year		5,141,206	(26,699)	5,114,507

The FRS figures have been restated arising from the revaluation of property, plant and equipment and investment property as discussed in Notes 3 and 4.

31. Explanation of transition to MFRSs (continued)

31.3 Material adjustments to the statement of cash flows for 2011

There are no material differences between the statement of cash flows presented under MFRSs and the statement of cash flows presented under FRSs.

31.4 Notes to reconciliations

(a) Property, plant and equipment - Deemed cost exemption - fair value

The Group elected to apply the optional exemption to measure certain property, plant and equipment at fair value at the date of transition to MFRSs and use that fair value as deemed cost under MFRSs.

The aggregate fair value of building at 1 January 2011 was determined to be RM8,000,000 compared to the then carrying amount of RM6,397,242 under FRSs.

The impact arising from the change is summarised as follows:

	2011 RM
Statement of profit or loss and other comprehensive income	
Other operating expenses - depreciation	17,369
Adjustment before tax	17,369

	1.1.2011 RM	31.12.2011 RM
Statement of financial position		
Property, plant and equipment	1,602,758	1,585,389
Adjustment to retained earnings	1,602,758	1,585,389

31. Explanation of transition to MFRSs (continued)

31.4 Notes to reconciliations (continued)

(b) Investment property - Deemed cost exemption - fair value

The Group elected to apply the optional exemption to measure its investment property at fair value at the date of transition to MFRSs and use that fair value as deemed cost under MFRSs.

The aggregate fair value of investment property at 1 January 2011 was determined to be RM6,500,000 compared to the then carrying amount of RM5,655,353 under FRSs.

The impact arising from the change is summarised as follows:

	2011 RM
Statement of profit or loss and other comprehensive income	
Other operating expenses - depreciation	9,330
Adjustment before tax	9,330

	1.1.2011 RM	31.12.2011 RM
Statement of financial position		
Investment property	844,647	835,317
Adjustment to retained earnings	844,647	835,317

(c) Retained earnings

The changes that affected the retained earnings are as follows:

	Note	1.1.2011 RM	31.12.2011 RM
Property, plant and equipment	*a*	1,602,758	1,585,389
Investment property	*b*	844,647	835,317
Increase in retained earnings		2,447,405	2,420,706

32. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Listing Requirements, are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained earnings of the Company and its subsidiaries:				
- realised	360,157	(4,234,702)	2,417,034	397,779
- unrealised	2,375,818	2,697,995	-	-
	2,735,975	(1,536,707)	2,417,034	397,779
Add: Consolidation adjustments	12,415,743	13,269,584	-	-
Total retained earnings	15,151,718	11,732,877	2,417,034	397,779

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS
Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 34 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 32 to the financial statements has been compiled in accordance with the Guidance on 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, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Ali bin Abdul Kadir
Director

Puvanesan a/l Subenthiran
Director

Petaling Jaya,

Date: 24 April 2013

STATUTORY DECLARATION
Pursuant to Section 169(16) of the Companies Act, 1965

I, **Yap Wai Yin**, the officer primarily responsible for the financial management of Privasia Technology Berhad, do solemnly and sincerely declare that the financial statements set out on pages 34 to 107 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 24 April 2013.

Yap Wai Yin

Before me:

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
to the members of Privasia Technology Berhad

Report on the Financial Statements

We have audited the financial statements of Privasia Technology Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 106.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards and International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on 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 and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Peter Ho Kok Wai
Approval number: 1745/12/13(J)
Chartered Accountant

Petaling Jaya

Date: 24 April 2013

ANALYSIS OF SHAREHOLDINGS as at 23 April 2013

Distribution Table a According to The Number of Securities Held in Respect of Ordinary Shares as at 23 April 2013

Category	No. of Holders	%	No. of Shares	%
Less than 100	8	0.41	400	0.00
100 – 1,000	81	4.11	56,500	0.01
1,001 – 10,000	601	30.51	3,644,200	0.65
10,001 – 100,000	912	46.29	44,077,400	7.90
100,001 to less than 5% of issued shares	365	18.53	282,699,500	50.64
5% and above of issued shares	3	0.15	227,722,020	40.80
TOTAL	**1,970**	**100.00**	**558,200,020**	**100.00**

Information on Substantial Shareholders (Excluding Bare Trustees) as at 23 April 2013

Nos.	Names of Substantial Shareholders	No. of Shares	%
1	Anyotech Sdn Bhd	79,713,220	14.28
2	Radiant Principles Sdn Bhd	76,836,300	13.77
3	Pancarthiran Sdn Bhd	71,172,500	12.75
4	MOHD AQLIFF SHANE ABDULLAH *Share held through:-* *Individual Account : 15,000,000* *Individual Account : 2,111,000* *Alliancegroup Nominees (Tempatan) Sdn Bhd : 1,080,600* *RHB Capital Nominees (Tempatan)m Sdn Bhd : 17,500,000*	35,691,600	6.39

List of Directors' Shareholding as at 23 April 2013

Nos.	Names of Directors	Direct	%	Indirect	%
1	** Datuk Ali Bin Abdul Kadir *Share held through:-* *Individual Account : 1,525,000* *Aminvestment Bank Berhad : 12,521,400* *CIMSEC Nominees (Tempatan) Sdn Bhd : 4,484,000*	18,530,400	3.32	1,666,000	0.30
2	***Puvanesan A/L Subenthiran	15,981,400	2.86	150,885,720	27.03
3	***Andre Anthony A/L Hubert Rene	11,588,700	2.08	156,549,520	28.05
4	Brian Wong Wye Pong	500,000	0.09	-	-
5	*Asgari Bin Mohd Fuad Stephens	-	-	4,000,000	0.72
6	Mohd Aqliff Shane Abdullah *Share held through:-* *Individual Account : 15,000,000* *Individual Account : 2,111,000* *Alliancegroup Nominees (Tempatan) Sdn Bhd : 1,080,600* *RHB Capital Nominees (Tempatan) Sdn Bhd : 17,500,000*	35,691,600	6.39	-	-

* Deemed interest under Section 122(A) of the Act by virtue of shares held by his spouse and parent.

** Deemed interest under Section 6A(4) of the Act by virtue of shares held by Rio Capital Sdn. Bhd.

*** Deemed interest under Section 6A(4) of the Act by virtue of shares held by Anyotech Sdn Bhd, Radiant Principles Sdn Bhd and Pancarthiran Sdn Bhd.

ANALYSIS OF SHAREHOLDINGS
as at 23 April 2013

List of Thirty (30) Largest Securities Account Holders as at 23 April 2013

No	Names	Shareholdings	%
1.	Anyotech Sdn. Bhd.	79,713,220	14.28
2.	Radiant Principles Sdn. Bhd.	76,836,300	13.77
3.	Pancarthiran Sdn. Bhd.	71,172,500	12.75
4.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Aqliff Shane Abdullah	17,500,000	3.14
5.	Ulaganathan A/L Muthu Pandithan	16,600,000	2.97
6.	Puvanesan A/L Subenthiran	15.981,400	2.86
7.	Mohd Aqliff Shane Abdullah	15,000,000	2.69
8.	Eminent Access Sdn. Bhd.	13,604,700	2.44
9.	AmBank (M) Berhad Pledged Securities Account for Datuk Ali Bin Abdul Kadir (SMART)	12,521,400	2.24
10.	Andre Anthony A/L Hubert Rene	11,588,700	2.08
11.	Lim Kian @ Lim Chow Yang	6,000,000	1.07
12.	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yeoh Cheng Lee	6,000,000	1.07
13.	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Yeow Kim (MG0000137)	5,357,500	0.96
14.	Kee Ku Huak	5,031,700	0.90
15.	Chan Fook Ling	5,000,000	0.90
16.	Ashok A/L Panchalingam	4,600,000	0.82
17.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Datuk Ali Bin Abdul Kadir (PB)	4,484,000	0.80
18.	Suntharam A/L Subramaniam	3,600,000	0.64
19.	Shaiful Zahrin Bin Subhan	2,846,900	0.51
20.	Firmansyah Aang Bin Muhamad	2,846,900	0.51
21.	Choo Poi Kee	2,723,000	0.49
22.	Lim Moi Moi	2,700,000	0.48
23.	Lee Hor Yin	2,220,000	0.40
24.	Gan Ah Ee @ Gan Chong Ho	2,200,000	0.39
25.	Mohd Aqliff Shane Abdullah	2,111,000	0.38
26.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Salbiah Binti Shuib (MM0641)	2,000,000	0.36
27.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Rahimah Stephens (MM1078)	2,000,000	0.36
28.	Koh Thin Min	1,960,300	0.35
29.	Rio Capital Sdn Bhd	1,666,000	0.30
30.	Ong Chiow Hock	1,572,800	0.28

PROPERTY OF THE GROUP

Location	Description/ Existing use	Built up area of building (sq.ft)	Age of building (years)	Tenure	Net book value as 31.12.12	Date of Acquisition/ Revaluation
Privasia Sdn. Bhd.						
Unit C-21-01 to 07, 3 Two Square, No.2, Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan.	1st Floor : Retail Lot - Tenanted	1,798	5	99 years lease expiring in 06.09.2106	7,831,094	24.05.2012 Revalued
	2 - 7th Floor : Office Building - office used	23,477				
Master title held under : PN50495, Lot 103, Seksyen 36, Bandar Petaling Jaya, Unit C-21-02, 3 Two Square, No.2, Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan.						

PRIVASIA TECHNOLOGY BERHAD
(Company No. 825092-U)
Incorporated in Malaysia

PROXY FORM

I/We (name) ______________________________

of (address) ______________________________

____

being a Member/Members of **PRIVASIA TECHNOLOGY BERHAD**, hereby appoint * the Chairman of the Meeting or (name)

____

of (address) ______________________________

or failing him (name) ______________________________

of (address) ______________________________

____

as *my/our proxy/proxies to attend and vote for * me/us and on * my /our behalf at the Fifth (5th) Annual General Meeting of the Company to be held at Unit C-21-04, 4th Floor, Dataran 3 Dua (3 Two Square), No. 2 Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan on Monday, 24 June 2013 at 10:00 a.m. and, at every adjournment thereof to vote as indicated below: -

	RESOLUTION	For	Against
Resolution 1	Payment of a Single Tier Tax Exempt Final Dividend		
Resolution 2	Payment of Directors' Fees		
Resolution 3	Re-election of Director : Mr. Brian Wong Wye Pong		
Resolution 4	Re-election of Director : Encik Mohd Aqliff Shane Abdullah		
Resolution 5	Re-appoint Messrs KPMG as auditors		
Resolution 6	Authority under Section 132D of the Companies Act, 1965		

(Please indicate with an "X" in the spaces provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at this discretion.)

The Proportions of my holdings to be represented by my *proxy/proxies are as follows :-

First named Proxy	%
Second named Proxy	%
	100%

In the case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf.

No. of shares held ____________

As witness my hand this .... day of, ... .2013

* Strike out whichever is not desired.

____
Signature of Member(s)/Common Seal

NOTES:

1. A member of the Company entitled to attend and vote at the above Meeting ("Member") may appoint not more than two (2) proxies to attend and vote instead of him/her.

2. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specified the proportions of his/her shareholdings to be represented by each proxy.

3. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a Meeting shall have the same rights as the Member to speak at the Meeting.

4. Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

5. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

6. For a proxy form to be valid, it must be deposited at the Registered Office of the Company at 13A, Jalan SS21/56B, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty eight (48) hours before time appointed for the Meeting or any adjournments thereof.

7. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand a poll on behalf of the appointer.

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AFFIX
STAMP
HERE

The Company Secretary

PRIVASIA TECHNOLOGY BERHAD

(Company No. 825092-U)

No.13A Jalan SS21/56B
Damansara Utama,
47400 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

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