

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

Interim financial statements
for the period ended 30 September 2011

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated in Malaysia)

Quarterly report on consolidated financial statements for the third quarter ended 30 September 2011

Condensed consolidated statement of comprehensive income - unaudited

	Three Months 30 September		3rd quarter ended 30 September	
	2011	2010	2011	2010
	RM	(Restated) RM	RM	(Restated) RM
Revenue	10,720,815	13,195,141	30,318,656	25,020,911
Cost of Sales	(6,255,171)	(8,472,744)	(19,030,115)	(17,402,234)
Gross profit	4,465,644	4,722,397	11,288,541	7,618,677
Other income	82,386	196,557	307,941	373,909
Other operating expenses	(2,129,788)	(1,752,420)	(6,678,157)	(4,353,260)
Profit / (loss) from operations	2,418,242	3,166,534	4,918,325	3,639,326
Interest income	57,965	39,808	114,033	60,322
Finance costs	(491,827)	(272,695)	(1,155,239)	(903,561)
Profit / (Loss) before taxation	1,984,380	2,933,647	3,877,119	2,796,087
Income tax expenses	(159,761)	-	(476,761)	-
Net profit / (loss) for the period	1,824,619	2,933,647	3,400,358	2,796,087
Other comprehensive loss, net of tax				
Fair value of available-for-sale financial assets	4,946	8,449	(4,860)	5,626
Other comprehensive loss for the period, net of tax	4,946	8,449	(4,860)	5,626
Total comprehensive income / (loss) for the period	1,829,565	2,942,096	3,395,498	2,801,713
Profit / (loss) attributable to:				
Equity holders of the parent	1,714,055	2,876,591	3,140,646	2,689,688
Minority interests	110,564	57,056	259,712	106,399
Net profit / (loss) for the period	1,824,619	2,933,647	3,400,358	2,796,087
Total comprehensive income / (loss) attributable to:				
Equity holders of the parent	1,719,001	2,885,040	3,135,786	2,695,314
Minority interests	110,564	57,056	259,712	106,399
Total comprehensive income / (loss) for the period	1,829,565	2,942,096	3,395,498	2,801,713
Earnings / (loss) per share				
Basic earnings / (loss) per share (sen)	0.33	0.53	0.61	0.50
Diluted earnings / (loss) per share (sen)	0.33	0.53	0.61	0.50

The results for the current period ended 30 September 2011 contains the nine months consolidated results of the Privasia Sdn. Bhd. group of companies, Privanet Sdn. Bhd. group of companies and IPSAT Sdn. Bhd.

The condensed consolidated statement of comprehensive income should be read in conjunction with the financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated in Malaysia)

Quarterly report on consolidated financial statements for the third quarter ended 30 September 2011

Condensed consolidated statement of financial position - unaudited

	Note	As at 30.09.2011 RM	As at 31.12.2010 (Restated) RM
Assets			
Property, plant and equipment		23,867,639	16,201,285
Investment property		5,611,035	5,655,353
Intangible assets		40,420,674	40,761,872
Trade and other receivable		843,750	750,000
Total non-current assets		<u>70,743,098</u>	<u>63,368,510</u>
Inventories		2,032,961	1,987,801
Work-in-progress		658,952	1,891,995
Tax recoverable		111,358	10,490
Available-for-sale financial assets	18	1,048,879	1,026,336
Trade and other receivable		15,105,445	15,120,918
Cash and cash equivalents		9,710,418	7,447,662
Total current assets		<u>28,668,013</u>	<u>27,485,202</u>
Total assets		<u>99,411,111</u>	<u>90,853,713</u>
Equity			
Share capital		55,820,002	55,820,002
Reserves		7,605,390	5,028,013
Total equity attributable to shareholders of the Company		<u>63,425,392</u>	<u>60,848,015</u>
Minority interest		615,102	355,390
Total equity		<u>64,040,494</u>	<u>61,203,405</u>
Liabilities			
Loans and borrowings		20,471,979	18,378,430
Deferred tax liabilities		108,000	108,000
Total non-current liabilities		<u>20,579,979</u>	<u>18,486,430</u>
Loans and borrowings		8,184,685	4,906,011
Trade and other payables		6,280,693	6,091,976
Taxation		325,260	165,891
Total current liabilities		<u>14,790,638</u>	<u>11,163,878</u>
Total liabilities		<u>35,370,617</u>	<u>29,650,308</u>
Total equity and liabilities		<u>99,411,111</u>	<u>90,853,713</u>
Net assets per share (RM)		<u>0.11</u>	<u>0.11</u>

The condensed consolidated statement of financial position should be read in conjunction with the financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)
(Incorporated In Malaysia)
Quarterly report on consolidated financial statements for the third quarter ended 30 September 2011

Condensed consolidated statement of changes in equity for the year ended 31 December 2010 - Audited

<i>(all in RM)</i>	Share capital	Fair value reserve	Retained profits	Subtotal	Minority Interest	Total equity
Balance as at 01.01.2010, as restated	55,820,002	-	(175,646)	55,644,356	204,088	55,848,444
Impact of adopting FRS 139	-	22,720	-	22,720	-	22,720
Balance as at 01.01.2010, as restated	55,820,002	22,720	(175,646)	55,667,076	204,088	55,871,164
Total comprehensive income for the year	-	2,693	5,178,246	5,180,939	151,302	5,332,241
Balance as at 31.12.2010, as restated	55,820,002	25,413	5,002,600	60,848,015	355,390	61,203,405

Condensed consolidated statement of changes in equity for the period ended 30 September 2011 - Unaudited

<i>(all in RM)</i>	Share capital	Fair value reserve	Retained profits	Subtotal	Minority Interest	Total equity
Balance as at 01.01.2011, as restated	55,820,002	25,413	5,002,600	60,848,015	355,390	61,203,405
Total comprehensive income for the period	-	(4,860)	3,140,646	3,135,786	259,712	3,395,498
Dividend paid	-	-	(558,409)	(558,409)	-	(558,409)
Balance as at 30.09.2011	55,820,002	20,553	7,584,837	63,425,392	615,102	64,040,494

The condensed consolidated changes in equity should be read in conjunction with the financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)
(Incorporated in Malaysia)
Quarterly report on consolidated financial statements for the third quarter ended 30 September 2011

Condensed consolidated statement of cash flows for the period ended 30 September 2011 - Unaudited

	Nine months ended 30.09.2011	Nine months ended 30.09.2010 (Restated)
Note	RM	RM
Cash flow from operating activities		
Profit before taxation	3,877,119	2,796,087
<i>Adjustment for :</i>		
Amortisation of development costs	1,507,397	3,456,534
Amortisation of intangible assets	467,785	215,152
Depreciation of investment property	44,318	44,319
Depreciation of property, plant and equipment	4,593,464	3,301,436
Interest Income	(114,033)	(60,322)
Interest expenses	1,155,239	903,561
Gain on disposal of property, plant and equipment	(1,184)	(2,923)
Gain on disposals of available-for-sale financial assets	-	(1,050)
Write off of development costs	-	5,917
Write off property, plant and equipment	-	17,642
Provision for doubtful debts	145,519	-
Operating profit before working capital changes	11,675,624	10,676,353
Work-in progress	1,233,043	(1,607,688)
Receivables and prepayments	(223,796)	(6,165,335)
Inventories	(45,160)	(1,362,675)
Payables and accruals	188,718	2,967,688
Cash generated from operations	12,828,429	4,508,343
Tax paid	(418,260)	(77,210)
Interest received	114,033	26,359
Net cash generated from operating activities	12,524,202	4,457,492
Cash flow from investing activities		
Increase in development costs	(102,621)	(333,183)
Proceeds for disposal of property, plant and equipment	19,662	25,364
Proceeds for disposal of available-for-sale financial assets	-	1,529,700
Purchase of intangible assets	(1,531,363)	(164,067)
Purchase of property, plant and equipment	(12,278,296)	(2,358,806)
Net cash used in investing activities	(13,892,618)	(1,300,992)
Cash flow from financing activities		
Changes in fair value of available-for sale financial assets	(27,403)	-
Interest paid	(1,155,239)	(903,561)
Dividend paid	(558,409)	-
Increase in pledged deposits	(79,535)	-
(Repayment of)/Proceeds from loans and borrowings	5,372,223	(3,209,128)
Net cash used in financing activities	3,551,637	(4,112,689)
Net increase in cash and cash equivalents	2,183,221	(956,189)
Cash and cash equivalents at beginning of the period	6,360,177	3,369,294
Cash and cash equivalent at end of the period	8,543,398	2,413,105

Cash and cash equivalent

Cash and cash equivalent included in the condensed consolidated statement of cash flows comprise the following statement of financial position amounts:

	30.09.2011	30.09.2010
Cash and bank balances	4,947,152	1,180,875
Deposits with licensed banks	4,763,266	1,740,644
	9,710,418	2,921,519
Less: Deposits pledged	(1,167,020)	(508,414)
	8,543,398	2,413,105

The condensed consolidated statement of cash flows should be read in conjunction with the financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Quarterly report on consolidated financial statements for the third quarter ended 30 September 2011**Notes to the interim financial statements****1 Basic of preparation**

The unaudited interim financial statements have been prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market and Financial Reporting Standard (FRS) 134 and should be read in conjunction with the Group's financial statements for the year ended 31 December 2010.

These notes to interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group for the financial period ended 30 September 2011.

During the financial period, the Group adopted IC Interpretation 4 – Determining whether an arrangement contains a lease ("IC 4"), which became effective for the financial year beginning 1 January 2011. Following the adoption of IC 4, management has reassessed all its business arrangements and have identified arrangements that contain leases which were not previously treated as leases. IC 4 involves a change in accounting policy and has been accounted for retrospectively in which comparatives have been restated.

The following comparative figures as at 30 September 2010 and 31 December 2010 have been adjusted to conform with the requirements of IC 4 as follows:

	31 December 2010		30 September 2010	
	As restated RM	As previously stated RM	As restated RM	As previously stated RM
In consolidated statement of comprehensive income :-				
Revenue	36,189,100	37,870,412	25,020,911	26,281,895
Profit before tax	5,681,823	5,192,691	2,796,087	2,429,238
In consolidated statement of financial position :				
Intangible assets	40,761,872	47,282,783	41,222,802	48,286,324
Trade and other receivable	15,120,918	9,337,301	22,948,625	18,744,680
Reserves	5,028,013	5,765,306	3,441,855	3,401,964

The Group has not applied the Malaysian Financial Reporting Standards ("MFRS") framework that has been issued by the Malaysian Accounting Standards Board (MASB) on 19 November 2011 but not yet effective. The Group plans to apply the MFRS framework from the annual period beginning 1 January 2012.

Management is still in the process of assessing the impact of the initial application of the MFRS framework on the Group's financial statements.

2 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2010.

3 Auditors' reports

The auditors report on the latest financial statements for the financial year ended 31 December 2010 was not subject to any audit qualifications.

4 Seasonal and cyclical factors

The results of the Group were not materially affected by any significant seasonal and cyclical factors during the period under review.

5 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period-to-date.

6 Issuances, cancellations, repurchases, resale and repayment of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities in the Company during the period under review.

7 Dividend paid

The following dividend was paid by the Company.

	Sen per share	Total amount (RM)
Final ordinary - 31 December 2010	0.1	<u>558,409</u>

8 Segmental reporting

The Board is of the opinion that the revised business segmentation based on services would more accurately reflect the Group's scope of business, as well as enable the Board formulate the strategies and allocate the necessary resources for the growth of the business units.

The Group comprises the following main business segments:

- Outsourcing and Consulting ("OSD")
- E-Procurement ("E-PROC")
- Information and Communication Technologies Distribution ("CDIST")
- Information and Communication Technologies Services ("CSERV")
- Satellite based network services ("SAT")

The analysis of the Group's operations for the financial period ended 30 September 2011 is as follows:-

	OSD RM	E-PROC RM	CDIST RM	CSERV RM	SAT RM	ELIMINATION RM	Total RM
Total segment revenue - external	18,022,604	5,450,188	2,922,383	330,822	4,232,151	(639,492)	30,318,656
Segment results	3,725,760	4,802,594	942,876	209,815	1,943,674	(336,178)	11,288,541
Other income							307,941
Other operating expenses							(6,678,157)
Results from operating activities							4,918,325
Interest income							114,033
Finance costs							(1,155,239)
Tax expense							(476,761)
Net profit for the period							3,400,358
Segment assets	59,312,146	2,879,158	2,394,916	1,656,241	4,253,604	28,888,177	99,384,242
Unallocated assets							26,869
Total assets							99,411,111
Segment liabilities	32,059,119	-	1,411,710	6,739,901	1,997,305	(7,316,604)	34,891,431
Unallocated liabilities							479,186
Total liabilities							35,370,617

9 Valuation of property, plant and equipment

There were no revaluation of property, plant and equipment for the nine months ended 30 September 2011.

10 Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the quarter under review that have not been reflected in the financial statements for the quarter under review.

11 Changes in composition of the Group

There were no changes in composition of the Group during the nine months ended 30 September 2011.

12 Changes in contingent liabilities or contingent assets

As at the date of this report, the Group does not have any contingent liabilities or contingent assets.

13 Capital commitments

There were no material commitments for the purchase of property, plant and equipment incurred or known to be incurred for in the current quarter under review.

14 Review of performance

For the third quarter ended 30 September 2011 ("3Q11"), Privasia recorded a 18.8% drop in group revenues from RM13.2 million previously to RM10.7 million, due mainly to lower sales from its OSD and CSERV.

Group profits before tax in 3Q11 was lower at RM2.0 million compared to RM2.9 million in the previous corresponding quarter whilst group net profits totalled RM1.7 million versus RM2.9 million previously. In the previous corresponding quarter, the Group had obtained a sizeable contract on E-PROC, hence higher profitability.

For the cumulative nine months ended 30 September 2011 ("9m11"), group revenues increased 21.2% to RM30.3 million from RM25.0 million previously in view of higher revenues from all its segments in the first half of the year. In 9m11, group profits before tax increased from RM2.8 million to RM3.9 million while group net profits were RM3.1 million compared to RM2.7 million.

Comparison with preceding quarter

In comparison with the preceding quarter ended 30 June 2011 ("2Q11"), group revenues in 3Q11 were slightly higher at RM10.7 million versus RM10.0 million in 2Q11.

Group profits before tax in 3Q11 were higher at RM 2.0 million compared to RM 0.7 million in 2Q11.

15 Future prospects

The Group is cautious on the outlook in the ICT outsourcing industry in view of the economic uncertainties. Nevertheless, the Group currently has an order book of RM 180 million which will last until 2020, and will continue to participate actively in tendering for new projects to sustain the Group going forward.

16 Income tax expenses

The government of Malaysia awarded Multimedia Super Corridor ("MSC") status to the Company's subsidiary, Privasia Sdn.Bhd., on 23 January 2002. With the granting of MSC status, this subsidiary are exempted from tax on 100% of statutory income from qualifying activities for an initial period of five (5) years. The extension of MSC status along with Pioneer Status for the subsidiary was approved by the authorities concerned for another five (5) years.

17 Unquoted investments and properties

There were no purchase or disposal of unquoted investments and properties for the period under review and financial period to date.

18 Available-for-sale financial assets

As part of its treasury management activities, the Group invests its cash surplus in short term money market instruments and money market unit trusts.

(a) Particulars of investments in quoted securities as at 30 September 2011

	30.09.2011
	RM
At market value	<u>1,048,879</u>
At cost	<u>1,028,326</u>

19 Status of corporate proposals announced

There were no corporate proposals announced.

20 Off balance sheet financial instruments

As at the reporting date, the Group does not have any off balance sheet financial instruments.

21 Material litigation

Save as disclosed below, the Group is not engaged in any litigation, either as plaintiff or defendant, which may effect the income from, title to, or possession of, any of its assets and/or business of the Group and the Directors of the Group do not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which may effect the income from, title to, or possession of, any of its assets and/or business of the Group:-

On 21 July 2011, the Group was served with a notice to attend a mention on September 15, 2011 at the Kuala Lumpur Industrial Court for Industrial Court Case No. 14(21)(14)/4-1388/10. The case involves a former employee's (of Airocom Sdn Bhd) claim that he has been wrongfully dismissed and as such seeks reinstatement to his former position / employment with the Company. The matter was referred by the Hon. Minister of Human Resources to the Industrial Court under s.20(3) of the Industrial Relations Act 1967. On 16 November 2011, the Company filed its Statement in Reply to the court. The Company is presently awaiting for the matter to be set down for trial.

22 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the earnings after taxation for the period by the weighted average number of ordinary shares in issue during the period.

	Period ended 30.09.2011
Profit attributable to equity holders of the parent	3,140,646
Profit attributable to minority interest	259,712
Profit for the period (RM)	<u>3,400,358</u>
Weighted average number of ordinary shares in issue	558,200,020
Basic earnings per share (sen)	<u><u>0.61</u></u>

(b) Diluted earnings per share

There are no dilutive effects to the shares during the period under review.

23 Disclosure of realised and unrealised profits

The breakdown of the retained profits of the Group and of the Company as at 30 September 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	30.09.2011	31.12.2010
	RM'000	Restated RM'000
Total retained profits of Privasia Technology Berhad and its subsidiaries		
- Realised	(5,471,091)	(8,238,202)
- Unrealised	110,963	110,963
	<u>(5,360,128)</u>	<u>(8,127,239)</u>
Less: Consolidation adjustments	12,944,965	13,129,839
Total retained profits as per statement of financial position	<u><u>7,584,837</u></u>	<u><u>5,002,600</u></u>

24 Authorisation for issue

The interim financial information were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 Nov 2011.