

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

Interim financial statements
for the period ended 31 December 2013

PRIVASIA TECHNOLOGY BHD (825092 - U)
(Incorporated In Malaysia)
Interim financial statements
Unaudited condensed consolidated statements of financial position

	As at 31.12.2013	As at 31.12.2012
	RM	RM
Assets		
Property, plant and equipment	27,577,102	21,225,541
Investment property	4,335,993	6,362,764
Intangible assets	36,907,700	38,280,246
Deferred tax asset	-	82,033
Total non-current assets	<u>68,820,795</u>	<u>65,950,584</u>
Inventories	2,479,426	1,654,320
Work-in-progress	3,703,384	1,856,888
Tax recoverable	135,033	9,248
Trade and other receivables	21,792,430	26,524,958
Cash and cash equivalents	8,327,242	13,150,993
Total current assets	<u>36,437,515</u>	<u>43,196,407</u>
Total assets	<u>105,258,310</u>	<u>109,146,991</u>
Equity		
Share capital	55,820,002	55,820,002
Reserves	19,087,332	15,151,718
Equity attributable to owners of the Company	<u>74,907,334</u>	<u>70,971,720</u>
Non-controlling interests	281,753	(19,818)
Total equity	<u>75,189,087</u>	<u>70,951,902</u>
Liabilities		
Loans and borrowings	9,987,591	16,021,221
Deferred tax liabilities	1,349,378	126,925
Total non-current liabilities	<u>11,336,969</u>	<u>16,148,146</u>
Loans and borrowings	5,710,250	8,090,910
Trade and other payables	12,954,339	12,728,148
Taxation	67,665	1,227,885
Total current liabilities	<u>18,732,254</u>	<u>22,046,943</u>
Total liabilities	<u>30,069,223</u>	<u>38,195,089</u>
Total equity and liabilities	<u>105,258,310</u>	<u>109,146,991</u>
Net assets per share (RM)	<u>0.13</u>	<u>0.13</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Interim financial statements**Unaudited condensed consolidated statements of profit or loss and other comprehensive income**

	Three Months ended 31 December		Twelve Months ended 31 December	
	2013	2012	2013	2012
	RM	RM	RM	RM
Continuing operations				
Revenue	15,077,977	20,712,609	58,455,869	60,646,690
Cost of Sales	(9,296,571)	(15,121,364)	(34,774,689)	(40,080,450)
Gross profit	<u>5,781,406</u>	<u>5,591,245</u>	<u>23,681,180</u>	<u>20,566,240</u>
Other income	91,891	115,429	326,426	328,091
Other operating expenses	(2,830,042)	(2,786,556)	(13,246,296)	(10,586,953)
Results from operating activities	<u>3,043,255</u>	<u>2,920,118</u>	<u>10,761,310</u>	<u>10,307,378</u>
Finance income	133,999	57,600	285,541	169,457
Finance costs	(280,124)	(354,469)	(1,145,269)	(1,582,040)
Net finance costs	<u>(146,125)</u>	<u>(296,869)</u>	<u>(859,728)</u>	<u>(1,412,583)</u>
Share of equity accounted associate	(1,292)	-	(2,250)	-
Profit before tax	<u>2,895,838</u>	<u>2,623,249</u>	<u>9,899,332</u>	<u>8,894,795</u>
Tax expense	(1,033,438)	(883,161)	(4,487,547)	(3,904,487)
Profit for the year	<u>1,862,400</u>	<u>1,740,088</u>	<u>5,411,785</u>	<u>4,990,308</u>
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
Fair value of available-for-sale financial assets	-	-	-	(20,553)
Total other comprehensive income for the period, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,553)</u>
Comprehensive income for the year	<u>1,862,400</u>	<u>1,740,088</u>	<u>5,411,785</u>	<u>4,969,755</u>
Profit /(loss) attributable to:				
Owner of the company	1,788,410	1,740,617	5,355,223	4,939,068
Non-controlling interest	73,990	(529)	56,562	51,240
Profit for the year	<u>1,862,400</u>	<u>1,740,088</u>	<u>5,411,785</u>	<u>4,990,308</u>
Comprehensive income / (loss) for the year				
Owner of the company	1,788,410	1,740,617	5,355,223	4,918,515
Non-controlling interest	73,990	(529)	56,562	51,240
Comprehensive income for the year	<u>1,862,400</u>	<u>1,740,088</u>	<u>5,411,785</u>	<u>4,969,755</u>
Basic earnings per ordinary shares (sen)				
From continuing operations	<u>0.32</u>	<u>0.31</u>	<u>0.96</u>	<u>0.88</u>
Diluted earnings per ordinary shares (sen)				
From continuing operations	<u>0.32</u>	<u>0.31</u>	<u>0.96</u>	<u>0.88</u>

The interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Interim financial statements

Unaudited condensed consolidated statement of changes in equity for period ended 31 December 2013

	<-----Attributable to owners of the Company----->					Total equity
	Share capital	Fair value reserve	Retained earnings	Subtotal	Non-controlling Interests	
<i>(all in RM)</i>						
At 1 January 2012	55,820,002	20,553	11,732,877	67,573,432	633,685	68,207,117
Change in fair value of available-for-sale financial assets	-	(20,553)	-	(20,553)	-	(20,553)
Total other comprehensive income for the year	-	(20,553)	-	(20,553)	-	(20,553)
Net profit for the year	-	-	4,939,068	4,939,068	51,240	4,990,308
Total comprehensive income for the year	-	(20,553)	4,939,068	4,918,515	51,240	4,969,755
Dividends paid	-	-	(1,116,400)	(1,116,400)	(45,391)	(1,161,791)
Change in ownership interests in subsidiary	-	-	(403,827)	(403,827)	(659,352)	(1,063,179)
As 31 December 2012	55,820,002	-	15,151,718	70,971,720	(19,818)	70,951,902
At 1 January 2013	55,820,002	-	15,151,718	70,971,720	(19,818)	70,951,902
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	-	-	-
Net profit / (loss) for the year	-	-	5,355,223	5,355,223	56,562	5,411,785
Total comprehensive income / (loss) for the year	-	-	5,355,223	5,355,223	56,562	5,411,785
Dividends paid	-	-	(1,674,600)	(1,674,600)	-	(1,674,600)
Change in ownership interests in subsidiary	-	-	254,991	254,991	245,009	500,000
As 31 December 2013	55,820,002	-	19,087,332	74,907,334	281,753	75,189,087

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

PRIVASIA TECHNOLOGY BHD (825092 - U)

(Incorporated In Malaysia)

Interim financial statements

Unaudited condensed consolidated statements of cash flows

	Twelve months ended 31.12.2013 RM	Twelve months ended 31.12.2012 RM
Cash flow from operating activities		
Profit before taxation	9,899,332	8,894,795
<i>Adjustment for :</i>		
Amortisation of intangible assets	1,729,534	1,535,121
Depreciation of investment property	47,767	68,815
Depreciation of property, plant and equipment	6,327,134	7,386,929
Development costs written off	63,294	18,224
Finance income	(285,541)	(169,457)
Finance costs	1,145,269	1,582,040
Gain on disposal of property, plant and equipment	(12,327)	(13,576)
Gain on disposal of available-for-sale financial assets	-	(45,401)
Loss on disposal of investment in subsidiary	-	49,999
Impairment loss on trade receivables	252,088	332,753
Property, plant and equipment written off	51,730	941
Intangible assets written off	638	-
Other receivables written off	-	600
Work-in-progress written off	-	118,000
Share of loss of equity accounted associate	2,250	-
Unrealised gain on foreign exchange	(154,137)	-
Operating profit before changes in working capital	19,067,031	19,759,783
Change in work-in progress	(1,846,496)	667,042
Change in trade and other receivables	4,660,972	(8,142,439)
Change in inventories	(825,105)	(50,223)
Change in trade and other payables	223,870	4,653,925
Cash generated from operations	21,280,272	16,888,088
Tax refunded	15,580	-
Tax paid	(4,510,172)	(2,929,216)
Interest received	285,541	167,280
Net cash generated from operating activities	17,071,221	14,126,152
Cash flow from investing activities		
Proceeds from disposal of property, plant and equipment	8,762	13,621
Proceeds from disposal of investment in subsidiary	500,000	1
Proceeds from disposal of available-for-sale financial asset	-	1,075,904
Acquisition of intangible assets	(412,101)	(101,906)
Acquisition of property, plant and equipment	(10,757,444)	(3,678,397)
Acquisition of interest in subsidiary	(30)	(1,113,179)
Net cash used in investing activities	(10,660,813)	(3,803,956)
Cash flow from financing activities		
Finance costs	(1,145,269)	(1,582,040)
Dividends paid	(1,674,600)	(1,161,791)
Decrease/(Increase) in pledged deposits	142,072	(1,014,362)
Repayment of loans and borrowings	(8,414,290)	(2,681,648)
Net cash used in financing activities	(11,092,087)	(6,439,841)
Net (decrease)/increase in cash and cash equivalent	(4,681,679)	3,882,355
Cash and cash equivalents at 1 January	11,078,907	7,196,552
Cash and cash equivalents at 31 December	6,397,228	11,078,907

Cash and cash equivalent

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

	Twelve months ended 31.12.2013 RM	Twelve months ended 31.12.2012 RM
Cash and bank balance	3,690,242	4,081,138
Deposit with licensed bank	4,637,000	9,069,855
	8,327,242	13,150,993
Less: Deposit pledged	(1,930,014)	(2,072,086)
	6,397,228	11,078,907

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

PRIVASIA TECHNOLOGY BHD (825092 - U)

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Notes to the condensed consolidated interim financial statements**1 Basis of preparation**

The unaudited interim financial statements have been prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market and with Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting and with International Accounting Standard (IAS) 34, Interim Financial Reporting and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2012.

These notes to interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group for the financial period ended 31 December 2013.

2 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 December 2012.

3 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2012.

During the twelve months ended 31 December 2013 management reassessed its estimates in respect of :-

- i) Impairment of goodwill and intangible asset
- ii) Impairment losses on trade receivables
- iii) Deferred tax assets
- iv) Income taxes

4 Seasonal and cyclical factors

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

5 Unusual items due to their nature, size or incidence

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

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

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

7 Dividend

No dividend has been recommended by the directors or paid on Quarter 4 2013.

8 Segmental reporting

The Board is of the opinion that the following business segmentation based on services reflects the Group's scope of business which enables the Board to formulate its strategies and allocate the necessary resources for the growth of the business units.

The Group comprises the following main business segments:

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

The analysis of the Group's operations for the financial period ended 31 December 2013 is as follows:-

	OSD RM	E-PROC RM	CDIST RM	CSERV RM	SAT RM	ELIMINATION RM	Total RM
Total segment revenue - external	33,783,645	9,224,512	663,520	6,256,227	9,517,045	(989,080)	58,455,869
Segment results	10,180,645	8,477,947	152,187	1,691,363	3,186,557	(7,519)	23,681,180
Other income							326,426
Other operating expenses							(13,246,296)
Results from operating activities							10,761,310
Interest income							285,541
Finance costs							(1,145,269)
Share of equity accounted associate							(2,250)
Tax expense							(4,487,547)
Net profit for the period							5,411,785
Segment assets	54,124,275	9,130,202	5,713,297	9,088,409	7,238,823	(39,566,839)	45,728,167
Unallocated assets							59,530,143
Total assets							105,258,310
Segment liabilities	21,133,972	-	4,865,269	14,099,165	3,567,971	(17,229,636)	26,436,741
Unallocated liabilities							3,632,482
Total liabilities							30,069,223

9 Material events subsequent to the end of the interim period

There were no material subsequent events up to the date of this report that will affect the financial statements of the financial period under review.

10 Change in composition of the Group

On 4 July 2013, Privanet Sdn Bhd, wholly-owned subsidiary of the Company acquired 30 ordinary shares of RM1 each in Infocrats Sdn Bhd, representing 30% of the paid up capital of Infocrats Sdn Bhd for a total consideration of RM30.

The Company had on 18 July 2013 acquired 700,000 ordinary shares of RM1.00 each in Spring Reach Distribution Sdn Bhd (formerly known as Privanet Distribution Sdn Bhd) from Privanet Sdn Bhd, a wholly-owned subsidiary of the Company. The acquisition represents 70% of the entire issued and paid up capital of Spring Reach Distribution Sdn Bhd.

The disposal of the remaining 300,000 ordinary shares of RM1.00 each in Spring Reach Distribution Sdn Bhd to Low Peng Yew and Chan Yue Mun, whereby each holds 15% of the entire issued and paid up capital has been completed on 30 December 2013.

11 Changes in contingent liabilities or contingent assets

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

12 Capital commitments

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

13 Review of performance

For the fourth quarter ended 31 December 2013 (4Q13), group revenue declined 27.2% to RM15.1 million, compared to RM20.7 million recorded in the corresponding quarter of the previous year. This was largely due to lower billing from the Outsourcing and Consulting (OSD) business, in addition to continued streamlining of product lines in the ICT Distribution (CDIST) segment.

Nevertheless, the Group's 4Q13 profit before tax (PBT) improved 10.4% to RM2.9 million, versus RM2.6 million previously, due to better operating margin. Correspondingly, 4Q13 net profit attributable to owners of the Company rose 2.8% to RM1.8 million, from RM1.7 million previously.

For the full year ended 31 December 2013 (FY13), group revenue stood at RM58.5 million from RM60.6 million previously, mainly contributed by year-on-year growth in the OSD and ICT Services (CSERV) segments.

The more favourable product mix and managed OPEX resulted in FY13 PBT increasing 11.3% to RM9.9 million compared to RM8.9 million previously, while net profit attributable to the owners of the Company grew 8.4% to RM5.4 million, versus RM4.9 million last year.

Net cash generated from operating activities increased from RM14.1 million to RM17.1 million mainly due to improved credit control. Cash and cash equivalents decreased from RM13.2 million to RM8.3 million mainly due to strategic investment in revenue generating assets and significant repayment of bank borrowings.

Comparison with preceding quarter

In comparison with the preceding quarter ended 30 September 2013 (3Q13), 4Q13 group revenue improved to RM15.1 million from RM14.0 million in the preceding quarter.

4Q13 PBT of RM2.9 million was higher than RM2.0 million in 3Q13 primarily due to lower OPEX.

14 Future prospects

Going into FY2014, the Group believes that the growth of the ICT sector remains intact, in light of the Government's ongoing support for ICT infrastructure projects such as the High Speed Broadband rollout nationwide, and provision of the accelerated capital allowance to corporations for purchase and installation of ICT equipment and software.

Backed by the Group's OSD order book of RM141.7 million, which is expected to sustain the Group to 2020, we are optimistic of the Group's outlook, and are intensifying our business development initiatives as well as investing in complementary new businesses to capture the available opportunities.

15 Income tax expenses

	Current quarter Three months ended		Twelve months ended	
	2013 31 Dec RM	2012 RM	2013 31 Dec RM	2012 RM
Current tax				
-Current year	86,722	598,003	2,929,038	3,911,995
-Prior year	-	21,889	254,022	21,889
	<u>86,722</u>	<u>619,892</u>	<u>3,183,060</u>	<u>3,933,884</u>
Deferred tax				
Origination and reversal of temporary differences	946,716	263,269	1,304,487	(29,397)
	<u>1,033,438</u>	<u>883,161</u>	<u>4,487,547</u>	<u>3,904,487</u>

16 Unquoted investments and properties

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

17 Status of corporate proposals announced

There were no corporate proposals announced.

18 Off balance sheet financial instruments

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

19 Material litigation

On 15 March 2013, the Group was served with a letter from the Industrial Relations Department of Malaysia, informing that the case involving a claim of wrongful dismissal by a former employee be referred to the Kuala Lumpur Industrial Court. The paperwork has been submitted and the hearing is initially scheduled on 3rd and 4th March 2014, but was vacated and to be fixed again in due course.

The Directors are of the opinion that the Group has a reasonable defense to the claim and provisions are not required in respect of this matter as it is not probable that any future compensation payments will be required to be paid to the former employee.

20 Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2012 was not qualified.

21 Profit for the period

	Twelve months ended	
	2013 31 Dec	2012
Profit for the period is arrived at after charging:		
Amortisation of intangible assets	1,729,534	1,535,121
Depreciation of investment properties	47,767	68,815
Depreciation of property, plant and equipment	<u>6,327,134</u>	<u>7,386,929</u>
and after crediting:		
Gain on disposal of available for sale financial assets	-	(45,401)
Gain on disposal of property, plant and equipments	<u>(12,327)</u>	<u>(13,576)</u>

22 Derivative financial instruments

The Group does not have any derivative financial instruments for the current quarter ended 31 December 2013.

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

23 Fair value changes of financial liabilities

The Group does not have any financial liabilities that are measured at fair value through profit or loss for the current quarter ended 31 December 2013.

24 Earnings per share

(a) Basic earnings per share

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

	Twelve months ended 31.12.2013
Profit attributable to equity holders (RM)	5,355,223
Profit attributable to non-controlling interests (RM)	56,562
Profit for the period (RM)	<u>5,411,785</u>
Weighted average number of ordinary shares in issue (units)	558,200,020
Basic earnings per share (sen)	<u><u>0.96</u></u>

(b) Diluted earnings per share

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

25 Breakdown of realised and unrealised profits

The breakdown of retained profits of the Group as at reporting date, into realised and unrealised profits, as disclosed to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:-

	Group	
	31.12.2013	31.12.2012
	RM	RM
Total retained profits of Privasia Technology Berhad and its subsidiaries		
- Realised	5,215,184	360,157
- Unrealised	<u>(1,459,026)</u>	<u>2,375,818</u>
	3,756,158	2,735,975
Total share of loss from associated company:		
- Realised	(2,250)	-
- Unrealised	-	-
Add: Consolidation adjustments	15,333,424	12,415,743
Total group retained profits as per consolidated interim financial statements	<u><u>19,087,332</u></u>	<u><u>15,151,718</u></u>

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

26 Authorisation for issue

The interim financial information were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 February 2014.