

HEITECH PADU BERHAD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 30 JUNE 2014

	Unaudited 2014	Audited 2013
	As at 30 June	As at 31 December
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant & equipment	71,014	74,549
Intangible assets	26,577	25,600
Investment in associates	4,466	4,097
Other investments	6,312	6,312
Lease receivable	73,940	81,942
Deferred tax assets	584	584
TOTAL NON-CURRENT ASSETS	182,893	193,084
CURRENT ASSETS		
Inventories	1,478	1,442
Trade and other receivables	169,005	154,626
Lease receivable	32,415	32,415
Due from customers on contracts	74,166	58,416
Other current assets	2,290	179
Tax recoverable	3,533	3,233
Cash and bank balances	35,960	36,892
TOTAL CURRENT ASSETS	318,847	287,203
CURRENT LIABILITIES		
Trade and other payables	125,803	104,180
Tax payable	1,448	1,842
Short term borrowings	104,495	80,018
Hire purchase payables	3,606	4,674
TOTAL CURRENT LIABILITIES	235,352	190,714
NET CURRENT ASSETS	83,495	96,489
	266,388	289,573
FINANCED BY:		
Share capital	101,225	101,225
Share premium	16,526	16,526
Share option reserve	-	-
Foreign currency translation reserve	(1,014)	664
Other reserve	-	-
Retained earnings	50,681	57,257
Shareholders' equity	167,418	175,672
Minority interests	5,063	4,384
Shareholders' Funds	172,481	180,056
Long Term Liabilities		
Long term borrowings	89,219	104,940
Hire purchase creditors	3,029	3,086
Deferred tax liabilities	1,659	1,491
Non-current liabilities	93,907	109,517
	266,388	289,573
Net asset per share attributable to ordinary equity holders of the parent (RM)	1.39	1.48

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Accounts for the year ended 31/12/2013. The document forms part of quarterly announcement for quarter ended 30/06/2014.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2014

a) Unaudited Condensed Consolidated Income Statement

	2014		2013	
	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30 June	Comparative quarter ended 30 June	6 months cumulative to date	Comparative 6 months cumulative to date
	RM'000	RM'000	RM'000	RM'000
Revenue	92,425	89,093	184,227	165,332
Other Income	845	1,738	1,623	4,414
Total Income	<u>93,270</u>	<u>90,831</u>	<u>185,850</u>	<u>169,746</u>
Employee Benefits Expense	(24,241)	(23,905)	(48,092)	(45,965)
Purchase of Hardware and Software	(8,650)	(9,963)	(20,410)	(11,492)
Telecommunication Costs	(10,821)	(13,347)	(22,796)	(26,265)
Software License and Hardware Maintenance Cost	(13,393)	(18,097)	(31,106)	(33,726)
Bulk Mailing Processing Charges	(1,533)	(2,809)	(4,668)	(6,731)
Depreciation	(2,548)	(2,642)	(4,812)	(4,719)
Professional Fees	(7,479)	(7,402)	(13,998)	(15,174)
Project Implementation Costs	(3,833)	(342)	(8,084)	(636)
Other Operating Expenses	(21,067)	(17,479)	(35,384)	(27,775)
Total Operating Expenditure	<u>(93,565)</u>	<u>(95,986)</u>	<u>(189,350)</u>	<u>(172,576)</u>
Loss from Operations	(295)	(5,155)	(3,500)	(2,830)
Finance Cost	(1,633)	(1,251)	(3,150)	(2,582)
Share of Results of Associated Companies	185	(165)	369	(670)
Loss Before Taxation	(1,743)	(6,571)	(6,281)	(6,082)
Taxation	(1)	(351)	(167)	(686)
Loss for the Period From Continuing Operations	<u>(1,744)</u>	<u>(6,922)</u>	<u>(6,448)</u>	<u>(6,768)</u>
Loss for the Period From Discontinued Operation	-	-	-	(30)
Loss for the Period	<u>(1,744)</u>	<u>(6,922)</u>	<u>(6,448)</u>	<u>(6,798)</u>
Loss attributable to:				
Equity holders of the Parent	(1,521)	(7,112)	(6,576)	(7,374)
Minority Interest	(223)	190	128	576
	<u>(1,744)</u>	<u>(6,922)</u>	<u>(6,448)</u>	<u>(6,798)</u>
Number of Ordinary Shares of RM1.00 each	101,225	101,225	101,225	101,225
Loss per share attributable to equity holders of the parent:				
Basic for loss for the period	(1.50)	(7.03)	(6.50)	(7.28)

b) Unaudited Condensed Consolidated Statement of Comprehensive Income

Loss for the period	(1,744)	(6,922)	(6,448)	(6,798)
Foreign currency translation	(128)	480	(1,127)	210
Total comprehensive loss	<u>(1,872)</u>	<u>(6,442)</u>	<u>(7,575)</u>	<u>(6,588)</u>
Total comprehensive loss attributable to:				
Equity holders of the Parent	(1,649)	(7,077)	(8,254)	(7,764)
Minority Interest	(223)	635	679	1,176
	<u>(1,872)</u>	<u>(6,442)</u>	<u>(7,575)</u>	<u>(6,588)</u>

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014

	<u>Non- distributable</u>					<u>Distributable</u>		Minority Interest RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Share Option Reserve RM'000	Foreign Currency Translation Reserve RM'000	Fair Value Adjustment Reserve RM'000	Retained profits RM'000	Total RM'000		
For the period ended 30 June 2014									
At 1 January 2014	101,225	16,526	-	664	-	57,257	175,672	4,384	180,056
Total comprehensive income for the period	-	-	-	(1,678)	-	(6,576)	(8,254)	679	(7,575)
At 30 June 2014	<u>101,225</u>	<u>16,526</u>	<u>-</u>	<u>(1,014)</u>	<u>-</u>	<u>50,681</u>	<u>167,418</u>	<u>5,063</u>	<u>172,481</u>
For the period ended 30 June 2013									
At 1 January 2013	101,225	16,526	1,215	(864)	(340)	88,785	206,547	10,244	216,791
Total comprehensive income for the period	-	-	-	(730)	340	(7,374)	(7,764)	1,176	(6,588)
Transaction with owners									
Acquisition of a new subsidiary	-	-	-	-	-	-	-	(2,468)	(2,468)
Disposal of a subsidiary	-	-	-	-	-	-	-	(5,741)	(5,741)
Share options expired	-	-	(1,215)	-	-	1,215	-	-	-
At 30 June 2013	<u>101,225</u>	<u>16,526</u>	<u>-</u>	<u>(1,594)</u>	<u>-</u>	<u>82,626</u>	<u>198,783</u>	<u>3,211</u>	<u>201,994</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Accounts for the year ended 31/12/2013. The document forms part of quarterly announcement for quarter ended 30/06/2014.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2014

	2014 Period ended 30 June RM'000	2013 Year ended 31 December RM'000
CASHFLOW FROM OPERATING ACTIVITIES		
Loss before taxation from continuing operation	(6,281)	(31,438)
Loss before tax from discontinued operation	-	(298)
Loss before taxation, total	(6,281)	(31,736)
Adjustment for:		
Depreciation	4,812	8,808
Finance costs	3,150	7,267
Impairment loss on:		
- trade receivables	412	5,969
- other receivables	-	7,963
- Available-for-sale financial assets	-	1,878
Reversal of impairment loss on trade receivables	(2)	(1,298)
Reversal of impairment loss on other receivables	-	(100)
Net fair value loss on held for trading investment	-	339
Amortisation of intangible assets	44	87
Loss on disposal of subsidiaries	-	2,072
Share of results of associates	(369)	(652)
Gain on disposal of property, plant and equipment	-	(97)
Interest income	(17)	(474)
Dividend income	-	(3,585)
Operating profit/(loss) before working capital changes	1,749	(3,559)
(Increase)/decrease in inventories	(36)	377
(Increase)/decrease in receivables	(9,527)	26,345
Increase in other current assets	(17,861)	(23,056)
Increase in payables	21,623	7,747
Cash (used in)/generated from operations	(4,052)	7,854
Interest paid	(3,150)	(7,267)
Income taxes paid	(651)	(138)
Net cash (used in)/generated from operating activities	(7,853)	449
CASHFLOW FROM INVESTING ACTIVITIES		
Interest received	17	474
Net dividends received	-	1,345
Proceeds from disposal of an investment	-	7,328
Purchase of property, plant and equipment	(1,277)	(7,340)
Proceed from disposal of property, plant and equipment	-	125
Proceeds from disposal of a subsidiary	-	244
Software development cost incurred	-	(6,151)
Net cash outflow on acquisition of a subsidiary	-	(7,984)
Net cash used in investing activities	(1,260)	(11,959)
CASHFLOW FROM FINANCING ACTIVITIES		
Net drawdown/(repayment) of loans and borrowings	739	(29,444)
Repayment of obligations under finance lease	(1,125)	(3,893)
Net cash used in financing activities	(386)	(33,337)
NET DECREASE IN CASH & CASH EQUIVALENTS		
	(9,499)	(44,847)
Effect of exchange rate changes on cash and cash equivalents	550	3,387
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	(961)	40,499
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	(9,910)	(961)
CASH & CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	6,697	9,290
Fixed deposits with licensed banks	29,263	27,602
Bank overdrafts	(45,870)	(37,853)
	(9,910)	(961)



**UNAUDITED RESULTS FOR
THE FINANCIAL PERIOD ENDED 30 JUNE 2014**

Notes to The Financial Statements

1. BASIS OF PREPARATION

The interim financial statements have been prepared under the historical cost convention. The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013. These explanatory notes attached to the 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 since the year ended 31 December 2013.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”):

Effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 112 and MFRS 127: Investment Entities
- Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21: Levies

The directors expect that the adoption of the standards and interpretations above will have no material impact on financial statements in the period of initial application.

3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the financial statements for the year ended 31 December 2013 was not qualified.



HEITECH PADU BERHAD

Company No: 310628-D

4. SEASONAL OR CYCLICAL FACTORS

The principal business operations of the Group are not significantly affected by seasonality or cyclical factors.

5. UNUSUAL ITEMS

Other than disclosed in the financial statements, there were no unusual items affecting the financial statements for the financial period under review.

6. CHANGES IN ESTIMATES

There were no significant changes in estimates that materially affect the financial statements for the financial period under review.

7. DEBTS AND EQUITY SECURITIES

There were no repayment and issuance of debt securities, share buy-backs, share cancellation, share held as treasury shares and resale of treasury shares for the financial period under review.

8. DIVIDENDS PAID

No dividend was paid out in the financial period under review.



HEITECH PADU BERHAD

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9. SEGMENTAL REPORTING

The segmental reporting is disclosed separately for the IT related products and services and bulk mailing outsourcing services. The segmental reporting by business segment is reflected below:

For the period ended 30 June 2014	IT related products and services	Bulk mailing outsourcing services	Consolidation Adjustments	Consolidated
	RM '000	RM '000	RM '000	RM '000
REVENUE				
External	165,745	18,482	-	184,227
RESULT				
(Loss)/profit for the period	(6,502)	(315)	369	(6,448)

For the period ended 30 June 2013	IT related products and services	Bulk mailing outsourcing services	Consolidation Adjustments	Consolidated
	RM '000	RM '000	RM '000	RM '000
REVENUE				
External	148,416	16,916	-	165,332
RESULT				
(Loss)/profit for the period	(8,367)	1,766	(167)	(6,768)

10. VALUATION OF PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

There was no valuation of the property, plant and equipment during the current quarter under review.

This document forms part of the unaudited quarterly announcement of HeiTech Group for the financial period ended 30/06/2014.



HEITECH PADU BERHAD
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11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes to the composition of the Group.

12. SUBSEQUENT EVENTS

There was no material event from 30 June 2014 to the date of this announcement, which affects substantially the results of the operations of the Group for the period ended 30 June 2014 in respect of which this announcement is made.

13. CAPITAL COMMITMENTS

The amount of commitments for purchase of property, plant and equipment not provided for in the financial statements for the period ended 30 June 2014 are as follows:

	Unaudited Financial Period 30/06/14 RM'000
Approved and contracted for	<u>722</u>
Approved but not contracted for	<u>52</u>

14. CONTINGENT LIABILITIES

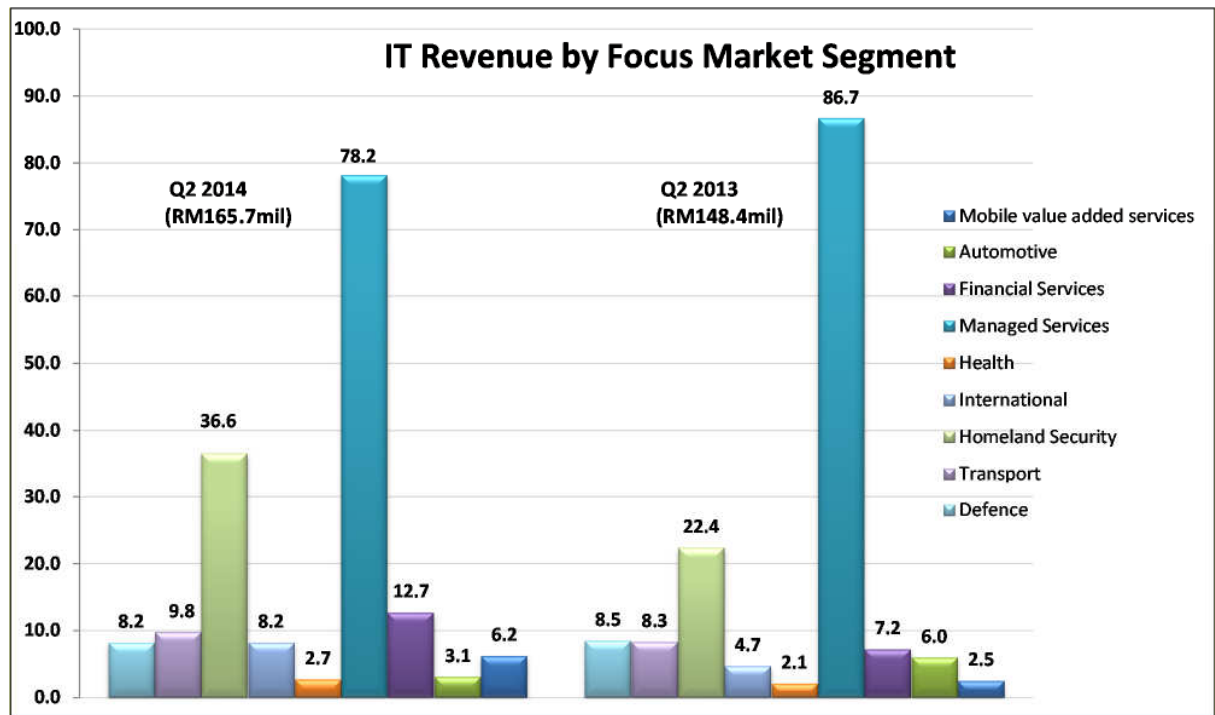
There were no contingent liabilities for the Group as at 22 August 2014 being the latest practicable date, which is not earlier than seven days from the date of issuance of this quarterly announcement.

15. REVIEW OF PERFORMANCE

The Group’s losses improved by RM369,000 or 5%, from RM6,768,000 in the period ended 30 June 2013 to RM6,448,000 in the period ended 30 June 2014.

In addition, the Group recorded losses of RM1,744,000 for the current quarter ended 30 June 2014, an improvement of RM2,960,000 or 63% compared to RM4,704,000 for the preceding quarter ended 31 March 2014.

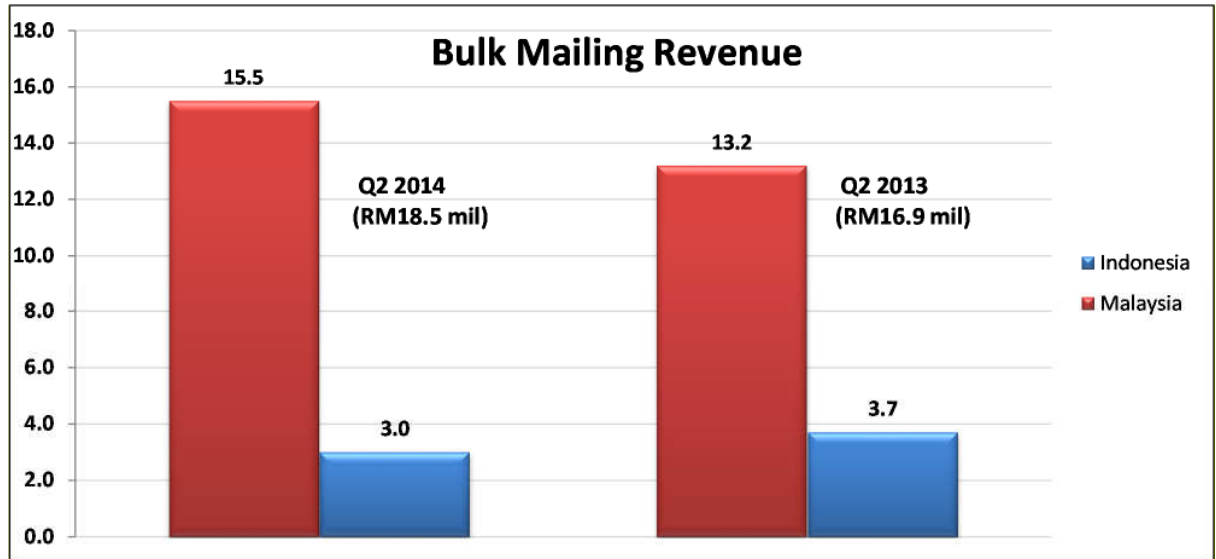
IT related products and services



The operation of this segment is mainly concentrated in Malaysia, with market presence in Middle East and Australia. IT products and services segment can be further divided into the following focus market segments:

- Defence – Simulation and Training and IT related solution for defence and security.
- Transport – IT Systems covering multi-sectoral (road, rail, air and water).
- Homeland Security – IT related solution for homeland security.
- International – IT relates solution for international business in Middle East.
- Health – System integration and product development of healthcare related business.
- Managed Services – ICT infrastructure solutions.
- Financial Services – Core banking, takaful, insurance and credit management solutions.
- Automotive – Database build for industry reference (Malaysia) and software (Australia).
- Mobile value added services.

Bulk mailing outsourcing services



The segment is contributed by the Group’s subsidiaries in Malaysia and Indonesia.

The revenue for the financial period ended 30 June 2014 has increased by 9% from RM16,916,000 in the financial period ended 30 June 2013 to RM18,482,000 mainly due to increase in bulk mailing volume from new customers. Meanwhile, some reduction is recorded in the revenue contributed by the subsidiary in Indonesia due to lower bulk mailing volume from existing customers.



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16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded revenue of RM92,425,000 for the current quarter ended 30 June 2014, an increase of RM623,000 compared to RM91,802,000 in the preceding quarter ended 31 March 2014.

The Group recorded loss before taxation of RM1,743,000 for the current quarter ended 30 June 2014, an improvement of RM2,795,000 or 62% compared to loss before taxation of RM4,538,000 for the preceding quarter ended 31 March 2014, mainly due to revenue with better profit margin in the current quarter.

The Group recorded loss after taxation of RM1,744,000 for the current quarter ended 30 June 2014, an improvement of RM2,960,000 or 63% compared to loss after taxation of RM4,704,000 for the preceding quarter ended 31 March 2014.

17. PROSPECTS IN THE CURRENT FINANCIAL YEAR

Going forward, the global economy is expected to be on a path of moderate recovery. The sustained improvements in the advanced economies will be a positive impulse for international trade. However, ongoing uncertainties surrounding monetary and fiscal policy adjustments in the advanced economies remain a risk to growth. Growth in the Asian economies is expected to be supported by improving external conditions amid moderating domestic demand. For the Malaysian economy, domestic demand will remain supportive of growth. While domestic demand is expected to moderate following the ongoing fiscal consolidation, the external sector is expected to benefit from the improving global conditions. The growth momentum is therefore expected to remain on a steady trajectory.

The Group's business environment is expected to remain challenging for the rest of the year. However, the Group will continue to implement relevant strategies to overcome the challenges. These include the following:

IT related products and services

- Securing recurring business from existing customers while gaining new business from both existing and new customers.
- Continuously exploring new opportunities in the Middle East and ASEAN.

Bulk mailing outsourcing services

- Promoting value-added services to existing customer base from public and private sector.

18. VARIANCE ON FORECASTED PROFIT

Not applicable.

This document forms part of the unaudited quarterly announcement of HeiTech Group for the financial period ended 30/06/2014.



HEITECH PADU BERHAD
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19. LOSS BEFORE TAX

Included in the loss before tax are the following items:

	Current Quarter <u>30/06/2014</u> RM'000	Accumulated Current Year <u>30/06/2014</u> RM'000
Interest income	(12)	(17)
Other income (including investment income)	-	-
Interest expense	1,633	3,150
Depreciation of property, plant and equipment	2,548	4,812
Amortisation of prepaid lease payments	-	-
Amortisation of intangible assets	22	44
Impairment loss on trade receivables	-	412
Bad debts written off	-	-
Inventories written off	-	-
(Gain)/loss on disposal of quoted and unquoted investments	-	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Impairment of goodwill	-	-
Impairment of other assets	-	-
Impairment of property, plant and equipment	-	-
(Gain)/loss on foreign exchange	-	-
(Gain)/loss on fair value changes of derivatives	-	-
	-	-

20. TAXATION

The taxation of the Group for the financial period under review is as follows:-

	Current Quarter <u>30/06/2014</u> RM'000	Accumulated Current Year <u>30/06/2014</u> RM'000
Current Taxation	(1)	(167)



HEITECH PADU BERHAD
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21. CORPORATE DEVELOPMENTS

There were no corporate developments during the financial period under review.

22. GROUP BORROWINGS AND DEBT SECURITIES

As at 30 June 2014, the Group has the following borrowings which are denominated in Ringgit Malaysia from local financial institutions:-

	<u>Total</u> <u>RM'000</u>
Secured:	
<u>Short Term Borrowings</u>	
Hire purchase creditor due within 12 months	3,606
Other short term borrowings due within 12 months	<u>104,495</u>
	<u>108,101</u>
<u>Long Term Borrowings</u>	
Hire purchase creditor due after 12 months	3,029
Other long term borrowings due after 12 months	<u>89,219</u>
	<u>92,248</u>
Total	<u>200,349</u>



HEITECH PADU BERHAD

Company No: 310628-D

23. REALISED AND UNREALISED PROFITS OR LOSSES DISCLOSURE

The breakdown of the retained profits of the Group as at 30 June 2014 and 31 December 2013 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants.

	As at 30/06/2014 RM'000	As at 31/12/2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	23,268	32,463
- Unrealised	1,659	(907)
Total retained profits from associated companies:		
- Realised	4,466	4,097
- Unrealised	-	-
Consolidation adjustments	21,288	21,604
Total Group retained profits as per consolidated account	50,681	57,257

24. MATERIAL LITIGATIONS

The Group is not engaged in any material litigations, claims or arbitration either as plaintiff or defendant as at 22 August 2014, being the latest practicable date, which is not earlier than seven days from the date of issuance of this quarterly announcement.

25. PROPOSED DIVIDEND

There was no dividend proposed in respect of the current financial year during the financial period under review.



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26. LOSS PER SHARE

	Current Quarter <u>30/06/2014</u>	Accumulated Current Year <u>30/06/2014</u>
<u>a) Basic</u>		
Net loss attributable to ordinary equity holders of the parent company (RM'000)	(1,521)	(6,576)
Weighted average number of ordinary shares in Issue ('000)	101,225	101,225
Basic loss per share (sen)	<u>(1.50)</u>	<u>(6.50)</u>

b) Diluted

There is no transaction undertaken by the Group during the period that has a potential dilutive effect.

27. SIGNIFICANT EVENTS

- a. On 24 July 2014, the Company has received a Letter of Acceptance from the Government of Malaysia for the maintenance and services for MYIMMS application system at Jabatan Imigresen Malaysia ("JIM") valued at RM27,480,000.00 commencing from 18 February 2014 to 17 February 2016.

By Order of the Board

AHMAD NOOR BIN SULONG (MAICSA 7062155)

Secretary