

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Unaudited 2018 As at 31 March RM'000	Audited 2017 As at 31 December RM'000
NON-CURRENT ASSETS		
Property, plant & equipment	50,621	50,705
Intangible assets	21,272	22,448
Investment in associates	4,181	4,419
Other investments	2,914	2,914
Lease receivable	18,855	22,903
Deferred tax assets	84	85
TOTAL NON-CURRENT ASSETS	97,927	103,474
CURRENT ASSETS		
Inventories	695	758
Trade and other receivables	105,109	102,864
Lease receivable	23,451	23,452
Due from customers on contracts	110,084	109,724
Tax recoverable	648	757
Cash and bank balances	93,871	94,887
TOTAL CURRENT ASSETS	333,858	332,442
CURRENT LIABILITIES		
Trade and other payables	91,087	118,570
Due to customers on contracts	-	8,495
Tax payable	1,936	1,501
Short term borrowings	164,884	129,326
Hire purchase payables	226	704
TOTAL CURRENT LIABILITIES	258,133	258,596
NET CURRENT ASSETS	75,725	73,846
	173,652	177,320
FINANCED BY:		
Share capital	117,751	117,751
Share premium	-	-
Foreign currency translation reserve	(530)	(331)
Retained earnings	33,371	33,802
Shareholders' equity	150,592	151,222
Non-controlling interests	5,269	5,030
Shareholders' Funds	155,861	156,252
<u>Long Term Liabilities</u>		
Long term borrowings	15,969	19,250
Hire purchase creditors	1,529	1,313
Deferred tax liabilities	293	505
Non-current liabilities	17,791	21,068
	173,652	177,320
Net asset per share attributable to ordinary equity holders of the parent (RM)	1.10	1.09

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2018

	Individual Quarter		Cumulative Quarter	
	2018	2017	2018	2017
	Current quarter ended 31 March	Comparative quarter ended 31 March	3 months cumulative to date	Comparative 3 months cumulative to date
	RM'000	RM'000	RM'000	RM'000
Revenue	83,907	133,861	83,907	133,861
Other Income	952	1,023	952	1,023
Total Income	84,859	134,884	84,859	134,884
Employee Benefits Expense	(22,016)	(30,198)	(22,016)	(30,198)
Purchase of Hardware and Software	(4,897)	(20,034)	(4,897)	(20,034)
Telecommunication Costs	(8,976)	(8,687)	(8,976)	(8,687)
Software License and Hardware Maintenance Cost	(13,456)	(32,455)	(13,456)	(32,455)
Bulk Mailing Processing Charges	(4,450)	(4,270)	(4,450)	(4,270)
Depreciation	(2,456)	(2,594)	(2,456)	(2,594)
Project Implementation Costs	(20,777)	(5,566)	(20,777)	(5,566)
Other Operating Expenses	(5,810)	(25,352)	(5,810)	(25,352)
Total Operating Expenditure	(82,838)	(129,156)	(82,838)	(129,156)
(Loss)/Profit from Operations	2,021	5,728	2,021	5,728
Finance Cost	(950)	(1,967)	(950)	(1,967)
Share of Results of Associated Companies	(239)	31	(239)	31
(Loss)/Profit Before Taxation	832	3,792	832	3,792
Taxation	(1,024)	(1,545)	(1,024)	(1,545)
(Loss)/Profit for the period	(192)	2,247	(192)	2,247
(Loss)/Profit attributable to:				
Equity holders of the Parent	(431)	2,539	(431)	2,539
Non-controlling interests	239	(292)	239	(292)
	(192)	2,247	(192)	2,247
Number of Ordinary Shares of RM1.00 each	117,751	101,225	117,751	101,225
Profit per share attributable to equity holders of the parent:				
Basic for (loss)/profit for the period	(0.37)	2.51	(0.37)	2.51
b) Unaudited Condensed Consolidated Statement of Comprehensive Income				
Shareholders' Funds	(192)	2,247	(192)	2,247
Foreign currency translation	(199)	203	(199)	203
Total comprehensive income	(391)	2,450	(391)	2,450
Total comprehensive income attributable to:				
Equity holders of the Parent	(630)	2,118	(630)	2,118
Minority Interest	239	332	239	332
	(391)	2,450	(391)	2,450

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018

	<u>Non- distributable</u>			<u>Distributable</u>		Non- Controlling Interests	Total
	Share capital	Share premium	Foreign Currency Translation Reserve	Retained profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
For the period ended 31 March 2018							
At 1 January 2018	117,751	-	(331)	33,802	151,222	5,030	156,252
Total comprehensive income for the period	-	-	(199)	(431)	(630)	239	(391)
At 31 March 2018	<u>117,751</u>	<u>-</u>	<u>(530)</u>	<u>33,371</u>	<u>150,592</u>	<u>5,269</u>	<u>155,861</u>
For the period ended 31 March 2017							
At 1 January 2017	101,225	16,526	664	52,861	171,276	6,777	178,053
Total comprehensive income for the period	-	-	(421)	2,539	2,118	332	2,450
At 31 March 2017	<u>101,225</u>	<u>16,526</u>	<u>243</u>	<u>55,400</u>	<u>173,394</u>	<u>7,109</u>	<u>180,503</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Accounts for the year ended 31/12/2017. The document forms part of quarterly announcement for quarter ended 31/03/2018.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
PERIOD ENDED 31 MARCH 2018

	Period ended 31 March 2018	Year ended 31 December 2017
	RM'000	RM'000
CASHFLOW FROM OPERATING ACTIVITIES		
Profit before taxation	832	(14,541)
Adjustments for:		
Depreciation	2,456	11,654
Finance costs	950	6,584
Impairment loss on:		
- trade receivables	21	1,570
- other receivables	49	49
Reversal of impairment loss on trade receivables	-	(2,893)
Amortisation of intangible assets	157	1,024
Impairment of intangible assets	-	9,200
Provision for liabilities	(894)	-
Unrealised foreign exchange gain	-	(61)
Share of results of associates	239	56
Gain on disposal of property, plant and equipment	-	(56)
Interest income	(382)	(1,861)
Dividend income	-	-
Operating profit before working capital changes	<u>3,428</u>	<u>10,726</u>
Decrease/(increase) in inventories	63	301
Decrease/(increase) in receivables	(5,215)	38,965
Increase in other current assets	(360)	(13,849)
Increase in amount due to customers on contracts	-	6,941
Decrease in payables	<u>(26,589)</u>	<u>11,091</u>
Cash generated from operations	<u>(28,673)</u>	<u>54,175</u>
Interest paid	(950)	(6,584)
Income taxes paid	<u>(1,711)</u>	<u>(1,846)</u>
Net cash generated from operating activities	<u>(31,334)</u>	<u>45,745</u>
CASHFLOW FROM INVESTING ACTIVITIES		
Software development cost incurred		
Interest received	382	1,861
Increase investment in an associate	-	(55)
Proceeds from disposal of property, plant and equipment	56	177
Purchase of property, plant and equipment	(1,937)	(7,316)
Software development cost incurred	-	(1,482)
Dividend paid	-	-
Net cash used in investing activities	<u>(1,499)</u>	<u>(6,815)</u>
CASHFLOW FROM FINANCING ACTIVITIES		
Dividend paid	-	(5,461)
Proceeds from loans and borrowings	-	326
Net drawdown/(repayment) of loans and borrowings	32,277	-
Repayment of obligations under finance lease	(262)	1,217
Deposit uplifted from security for bank facilities	(40,977)	(15,775)
Placement of deposits with licensed banks	-	(1,515)
Net cash (used in)/generated from financing activities	<u>(8,962)</u>	<u>(21,208)</u>
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS		
	(41,795)	17,722
Effect of exchange rate changes on cash and cash equivalents	(199)	(576)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
	<u>9,216</u>	<u>(7,930)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
	<u>(32,778)</u>	<u>9,216</u>
CASH & CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	16,193	22,138
Fixed deposits with licensed banks	77,678	72,749
Bank overdrafts	(48,971)	(12,922)
Deposit with licensed banks with maturity more than 3 months	-	(4,629)
Deposit pledged as securities for bank borrowings	<u>(77,678)</u>	<u>(68,120)</u>
	<u>(32,778)</u>	<u>9,216</u>

**UNAUDITED RESULTS FOR
THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

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 2017. 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 2017.

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 2017 except for the following new/revised Malaysian Financial Reporting Standards (“MFRS”) that are issued but not yet effective:

Effective for annual periods beginning on or after 1 January 2018.

- MFRS 2 Classification and Measurement of Share-based Payment Transactions
- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- MFRS 140 Transfers of Investment Property
- Annual Improvements to MFRS Standards 2014-2016 Cycle
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

MFRS 15 Revenue from Contracts with Customers

The Group adopted MFRS 15 on 1 January 2018. MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 supersedes the previous revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group has elected to apply this standard using the modified retrospective method by recognising the cumulative effect of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application.

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

MFRS 15 Revenue from Contracts with Customers (cont'd)

The Group had identified its on going contracts (using practical expedient allowed under the new standard) for the assessment of the contractual terms that form the performance obligation(s) in the contract. These contracts over a number of years and has multiple scope of work (such as a combination of system application and development, sale of hardware and software, maintenance services etc.). Specific performance obligations and the related amount have been expressly stipulated in these contracts. Since the inception of the contracts, the Group has been recognizing the revenue based on the specific performance obligation as stated in the contract. As such, the application of the standard does not give any significant impact to the revenue recognition policy of the Group.

MFRS 9 Financial Instruments

The Group adopted MFRS 9, Financial Instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139. Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The three principal classifications categories for financial assets are: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

There was no material impact on the accounting of the Group's financial assets upon application of the new classification requirements.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2017 was not qualified.

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

There was no dividend paid in the financial period under review.

9. 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.

10. CHANGES IN THE COMPOSITION OF THE GROUP

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

11. SEGMENTAL REPORTING

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

For the period ended 31 March 2018	IT related products and services	Bulk mailing outsourcing services	Engineering works	Consolidation Adjustments	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE					
External	68,614	5,785	9,508	-	83,907
RESULT					
Profit/(loss) after tax	319	(744)	470	(238)	(192)

For the period ended 31 March 2017	IT related products and services	Bulk mailing outsourcing services	Engineering works	Consolidation Adjustments	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE					
External	114,283	6,142	13,436	-	133,861
RESULT					
Profit/(loss) after tax	3,590	(869)	(506)	31	2,247

12. SUBSEQUENT EVENTS

There was no subsequent event for the current quarter under review.

13. CAPITAL COMMITMENT

The amount of commitment for purchase of property, plant and equipment not provided for in the financial statements for the period ended 31 March 2018 are as follows:

	Unaudited Financial Period 31/03/2018 RM'000
Approved and contracted for	<u>1,631</u>
Approved but not contracted for	<u>52</u>

14. CONTINGENT LIABILITIES

There were no contingent liabilities for the Group as at 24 May 2018 being the latest practicable date, which is not earlier than seven days from the date of issuance of this quarterly announcement.

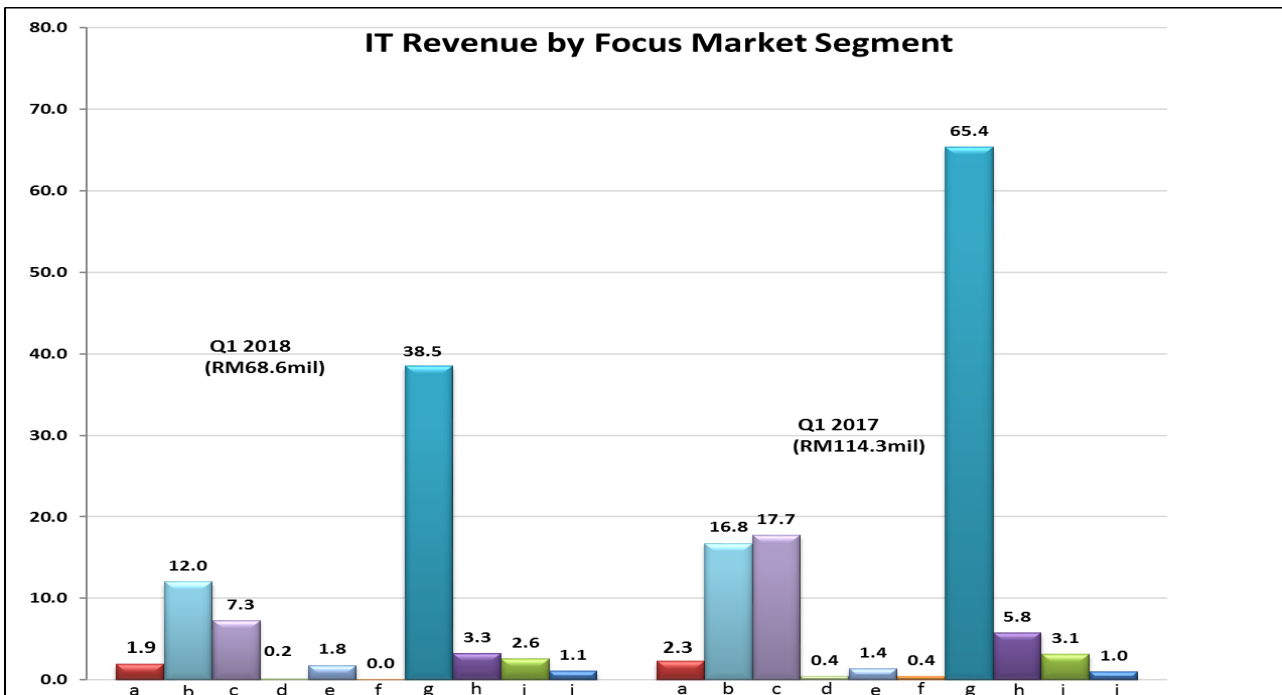
15. REVIEW OF PERFORMANCE

The Group recorded a loss of RM192,000 for the period ended 31 March 2018. A decrease by RM2,439,000 from a profit of RM2,247,000 for the period ended 31 March 2017.

The decline in the results was attributed to the conclusion of a major contract from the IT segment that significantly reduced the overall profit margin of the Group. The contract has contributed significant margins to the Group since its acquisition in the previous financial years.

IT related products and services

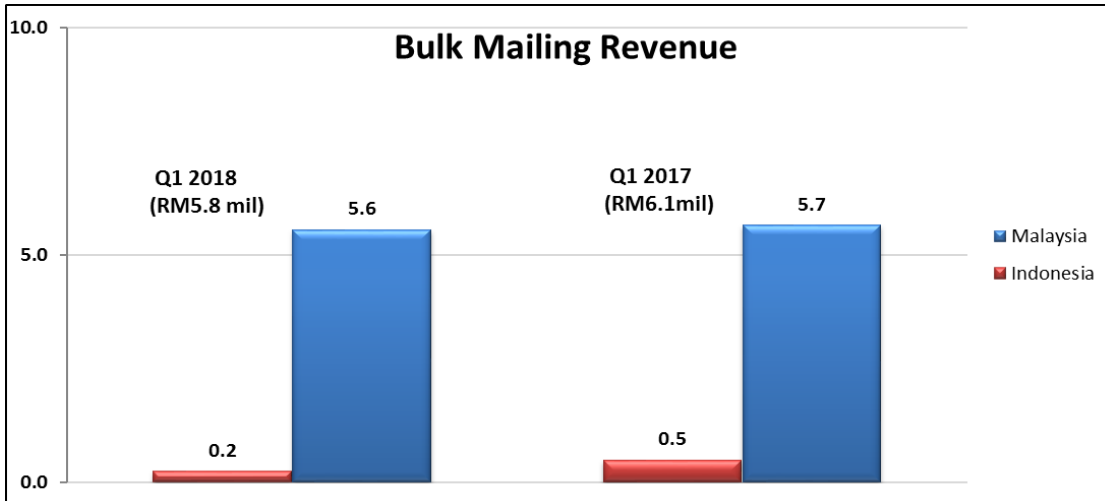
The revenue for the financial period ended 31 March 2018 is RM68,614,000 as compared to RM114,283,000 for the financial period ended 31 March 2017.



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

15. REVIEW OF PERFORMANCE (CONT'D)

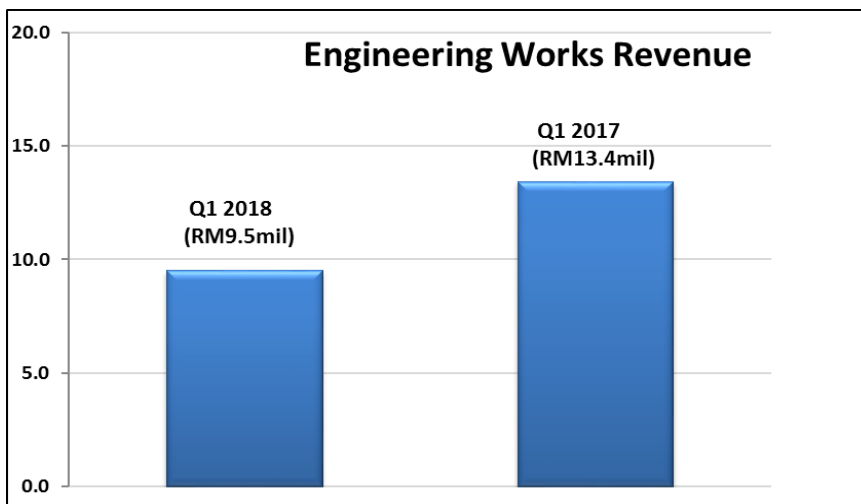
Bulk mailing outsourcing services



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

The revenue for the financial period ended 31 March 2018 is RM5,785,000 as compared to RM6,142,000 for the financial period ended 31 March 2017.

Engineering works



The Group's subsidiary under the engineering works sector is principally engaged in the provision of electrical, mechanical and civil engineering works for the energy supply company.

The revenue for the financial period ended 31 March 2018 is RM9,508,000 as compared to RM13,436,000 for the financial period ended 31 March 2017.

16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded lower revenue at RM83,907,000 for the current quarter ended 31 March 2018 as compared to RM88,046,000 in the preceding quarter ended 31 December 2017.

The Group's margin for the current quarter ended 31 March 2018 has shown significant increase against the preceding quarter ended 31 December 2017. The results has increased from loss pre and post-tax of RM18,553,000 and RM17,270,000 respectively for the preceding quarter ended 31 December 2017 to pre-tax profit of RM832,000 and post-tax loss of RM192,000 respectively for the current quarter ended 31 March 2018.

17. COMMENTARY ON PROSPECTS

Malaysia's strong growth performance in 2017 was expected to be sustained through 2018, amid more broadbased, entrenched and synchronised global economic expansion. Headline inflation was expected to average lower in 2018, on expectations of a smaller effect from global cost factors, while a stronger ringgit exchange rate compared to 2017 would mitigate import costs. (Source : Bank Negara Malaysia published on 17 May 2018)

The Group's business environment is expected to remain challenging for 2018. However, the Group will continue to implement relevant strategies to overcome the challenges. These include the following:

IT related products and services

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

Bulk mailing outsourcing services

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

18. VARIANCE ON FORECASTED PROFIT

Not applicable.

19. PROFIT BEFORE TAX

Included in the loss before tax are the following items:

	Current Quarter 31/03/2018 RM'000	Accumulated Current Quarter 31/03/2018 RM'000
Interest income	(382)	(382)
Other income	-	-
Interest expense	950	950
Depreciation of property, plant and equipment	2,456	2,456
Amortisation of intangible assets	157	157
Impairment loss on :		
- Trade receivables	21	21
- Other receivables	49	49
- Intangible assets	-	-
Reversal gain on trade receivables	-	-
Gain on disposal of property, plant and equipment	-	-

20. TAXATION

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

	Current Quarter 31/03/2018 RM'000	Accumulated Current Quarter 31/03/2018 RM'000
Current taxation	(1,024)	(1,024)

21. CORPORATE DEVELOPMENTS

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

22. GROUP BORROWINGS AND DEBT SECURITIES

As at 31 December 2017, the Group has the following borrowings which are denominated in Ringgit Malaysia from local financial institutions:-

Secured:	Total RM'000
<u>Short Term Borrowings</u>	
Hire purchase creditor due within 12 months	226
Other short term borrowings due within 12 months	164,884
	<u>165,110</u>
<u>Long Term Borrowings</u>	
Hire purchase creditor due after 12 months	1,529
Other long term borrowings due after 12 months	15,969
	<u>17,498</u>
Total	<u>182,608</u>

23. MATERIAL LITIGATIONS

The Group is not engaged in any material litigations, claims or arbitration either as plaintiff or defendant as at 24 May 2018, being the latest practicable date, which is not earlier than seven days from the date of issuance of this quarterly announcement.

24. PROPOSED DIVIDEND

There was no dividend proposed for the financial period under review.

25. EARNING PER SHARE

	Current Quarter 31/03/2018	Accumulated Current Quarter 31/03/2018
<u>a) Basic</u>		
Net loss attributable to ordinary equity holders of the parent company (RM'000)	(431)	(431)
Weighted average number of ordinary shares in issue ('000)	117,751	117,751
Basic loss per share (sen)	<u>(0.37)</u>	<u>(0.37)</u>

b) Diluted

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

26. SIGNIFICANT EVENTS

On 9 March 2018, the Company has secured a contract from Permodalan Nasional Berhad for outsourcing of IT services which consist of, application services, data centre services, disaster recovery services, dekstop management and helpdesk services valued at RM27,136,000 for 2 years.

By Order of the Board

AMIR ZAHINI BIN SAHRIM (7034464)
SITI SHAHWANA BINTI ABDUL HAMID (7018383)

Secretary