

**HEITECH PADU BERHAD**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

	<b>Unaudited 2018 As at 30 June RM'000</b>	<b>Audited 2017 As at 31 December RM'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant & equipment	48,754	50,705
Intangible assets	20,734	22,448
Investment in associates	4,075	4,419
Other investments	2,914	2,914
Lease receivable	14,760	22,903
Deferred tax assets	84	85
<b>TOTAL NON-CURRENT ASSETS</b>	<b>91,321</b>	<b>103,474</b>
<b>CURRENT ASSETS</b>		
Inventories	723	758
Trade and other receivables	110,803	102,864
Lease receivable	23,451	23,452
Due from customers on contracts	117,284	109,724
Tax recoverable	743	757
Cash and bank balances	106,868	94,887
<b>TOTAL CURRENT ASSETS</b>	<b>359,872</b>	<b>332,442</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	83,773	118,570
Due to customers on contracts	-	8,495
Tax payable	1,005	1,501
Short term borrowings	194,543	129,326
Hire purchase payables	169	704
<b>TOTAL CURRENT LIABILITIES</b>	<b>279,490</b>	<b>258,596</b>
<b>NET CURRENT ASSETS</b>	<b>80,382</b>	<b>73,846</b>
	<b>171,703</b>	<b>177,320</b>
<b>FINANCED BY:</b>		
Share capital	117,751	117,751
Share premium	-	-
Foreign currency translation reserve	(553)	(331)
Retained earnings	35,047	33,802
Shareholders' equity	152,245	151,222
Non-controlling interests	4,877	5,030
Shareholders' Funds	157,122	156,252
<u>Long Term Liabilities</u>		
Long term borrowings	12,829	19,250
Hire purchase creditors	1,459	1,313
Deferred tax liabilities	293	505
Non-current liabilities	14,581	21,068
	<b>171,703</b>	<b>177,320</b>
Net asset per share attributable to ordinary equity holders of the parent (RM)	1.12	1.09

**HEITECH PADU BERHAD**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2018**

	Individual Quarter		Cumulative Quarter	
	2018	2017	2018	2017
	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	131,369	100,645	215,276	234,506
Other Income	5,106	993	6,058	2,016
Total Income	<u>136,475</u>	<u>101,638</u>	<u>221,334</u>	<u>236,522</u>
Employee Benefits Expense	(22,690)	(23,228)	(44,706)	(53,426)
Purchase of Hardware and Software	(11,559)	(13,213)	(16,456)	(33,247)
Telecommunication Costs	(5,483)	(8,585)	(14,459)	(17,272)
Software License and Hardware Maintenance Cost	(8,360)	(18,131)	(21,816)	(50,586)
Bulk Mailing Processing Charges	(5,357)	(3,801)	(9,807)	(8,071)
Depreciation	(2,085)	(2,691)	(4,541)	(5,285)
Project Implementation Costs	(69,707)	(11,246)	(90,484)	(16,812)
Other Operating Expenses	(8,753)	(15,676)	(14,563)	(41,028)
Total Operating Expenditure	<u>(133,994)</u>	<u>(96,571)</u>	<u>(216,832)</u>	<u>(225,727)</u>
Profit from Operations	2,481	5,067	4,502	10,795
Finance Cost	(1,150)	(2,005)	(2,100)	(3,972)
Share of Results of Associated Companies	(106)	53	(345)	84
Profit Before Taxation	<u>1,225</u>	<u>3,115</u>	<u>2,057</u>	<u>6,907</u>
Taxation	59	(842)	(965)	(2,387)
Profit for the period	<u>1,284</u>	<u>2,273</u>	<u>1,092</u>	<u>4,520</u>
Profit/(loss) attributable to:				
Equity holders of the Parent	1,676	2,175	1,245	4,714
Non-controlling interests	(392)	98	(153)	(194)
	<u>1,284</u>	<u>2,273</u>	<u>1,092</u>	<u>4,520</u>
Number of Ordinary Shares of RM1.00 each	101,225	101,225	101,225	101,225
Profit per share attributable to equity holders of the parent:				
Basic for profit for the period	1.66	2.15	1.23	4.66
b) Unaudited Condensed Consolidated Statement of Comprehensive Income				
Shareholders' Funds	1,284	2,273	1,092	4,520
Foreign currency translation	(23)	(228)	(222)	(25)
Total comprehensive income	<u>1,261</u>	<u>2,045</u>	<u>870</u>	<u>4,495</u>
Total comprehensive income attributable to:				
Equity holders of the Parent	1,653	1,979	1,023	4,097
Minority Interest	(392)	66	(153)	398
	<u>1,261</u>	<u>2,045</u>	<u>870</u>	<u>4,495</u>

**HEITECH PADU BERHAD**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 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
<b>For the period ended 30 June 2018</b>							
At 1 January 2018	117,751	-	(331)	33,802	151,222	5,030	156,252
<b>Total comprehensive income for the period</b>	-	-	(222)	1,245	1,023	(153)	870
At 30 June 2018	<u>117,751</u>	<u>-</u>	<u>(553)</u>	<u>35,047</u>	<u>152,245</u>	<u>4,877</u>	<u>157,122</u>
<b>For the period ended 30 June 2017</b>							
At 1 January 2017	101,225	16,526	664	52,861	171,276	6,777	178,053
<b>Total comprehensive income for the period</b>	-	-	(617)	4,714	4,097	398	4,495
At 30 June 2017	<u>101,225</u>	<u>16,526</u>	<u>47</u>	<u>57,575</u>	<u>175,373</u>	<u>7,175</u>	<u>182,548</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 30/06/2018.*

**HEITECH PADU BERHAD**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE**  
**PERIOD ENDED 30 JUNE 2018**

	<b>Period ended 30 June 2018</b>	<b>Year ended 31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	2,057	(14,541)
Adjustments for:		
Depreciation	4,541	11,654
Finance costs	2,100	6,584
Impairment loss on:		
- trade receivables	235	1,570
- other receivables	49	49
Reversal of impairment loss on trade receivables	(10)	(2,893)
Amortisation of intangible assets	669	1,024
Impairment of intangible assets	-	9,200
Provision for liabilities	(962)	-
Unrealised foreign exchange gain	-	(61)
Share of results of associates	345	56
Gain on disposal of property, plant and equipment	-	(56)
Interest income	(842)	(1,861)
Dividend income	(3,670)	-
Operating profit before working capital changes	4,512	10,726
Decrease in inventories	35	301
(Increase)/decrease in receivables	(7,330)	38,965
Increase in other current assets	(7,559)	(13,849)
(Decrease)/increase in amount due to customers on contracts	(352)	6,941
(Decrease)/increase in payables	(33,835)	11,091
Cash (used in)/generated from operations	(44,529)	54,175
Interest paid	(2,100)	(6,584)
Income taxes paid	(1,711)	(1,846)
Net cash (used in)/generated from operating activities	(48,340)	45,745
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Interest received	842	1,861
Net dividends received	3,670	-
Increase investment in an associate	-	(55)
Proceeds from disposal of property, plant and equipment	-	177
Purchase of property, plant and equipment	(2,376)	(7,316)
Software development cost incurred	-	(1,482)
Net cash generated from/(used in) investing activities	2,136	(6,815)
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	(5,461)
Proceeds from loans and borrowings	27,376	326
(Repayment)/net proceeds of obligations under finance leases	(389)	1,217
Placement of deposits from securities for bank borrowings.	(20,110)	(15,775)
Placement of deposits with licensed banks	-	(1,515)
Net cash generated from/(used in) financing activities	6,877	(21,208)
<b>NET (DECREASE)/INCREASE IN CASH &amp; CASH EQUIVALENTS</b>		
	(39,327)	17,722
Effect of exchange rate changes on cash and cash equivalents	(222)	(576)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		
	9,216	(7,930)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		
	(30,333)	9,216
<b>CASH &amp; CASH EQUIVALENTS COMPRISE:</b>		
Cash and bank balances	18,638	22,138
Fixed deposits with licensed banks	88,230	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	(88,230)	(68,120)
	(30,333)	9,216

**UNAUDITED RESULTS FOR  
THE FINANCIAL PERIOD ENDED 30 JUNE 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. SUBSEQUENT EVENTS

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

## 12. CAPITAL COMMITMENT

The amount of commitment for purchase of property, plant and equipment not provided for in the financial statements for the period ended 30 June 2018 are as follows:

	<b>Unaudited Financial Period 30/06/2018 RM'000</b>
Approved and contracted for	<u>263</u>
Approved but not contracted for	<u>52</u>

## 13. CONTINGENT LIABILITIES

There were no contingent liabilities for the Group as at 23 August 2018 being the latest practicable date, which is not earlier than seven days from the date of issuance of this quarterly announcement.



## 14. SEGMENTAL REPORTING

In addressing the challenges faced within the current economic conditions, the Group has slightly rearranged its presentation on the segmental reporting. This is to be in line with the decision making process on the strategic direction of the Group in keeping up with the challenges. It should also help to improve the evaluation process by the users of the Group's interim financial statements.

The Group's segmental reporting is now presented as follows:

### 1. IT related products and services segment

This segment represents the results from the companies that carried out the core IT business of the Group.

### 2. Strategic business segment

The strategic business segment represents the Group's investee companies, either subsidiaries or associates, which involved in various industries.

<b>For the period ended 30 June 2018</b>	<b>IT related products and services</b>	<b>Strategic Business</b>	<b>Consolidation Adjustments</b>	<b>Consolidated</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>REVENUE</b>				
External	126,003	89,273	-	215,276
<b>RESULT</b>				
Profit/(loss) after tax	2,788	(1,335)	(361)	1,092
<b>For the period ended 30 June 2017</b>	<b>IT related products and services</b>	<b>Strategic Business</b>	<b>Consolidation Adjustments</b>	<b>Consolidated</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>REVENUE</b>				
External	197,309	37,197	-	234,506
<b>RESULT</b>				
Profit/(loss) after tax	5,436	(917)	-	4,520

## 15. REVIEW OF PERFORMANCE

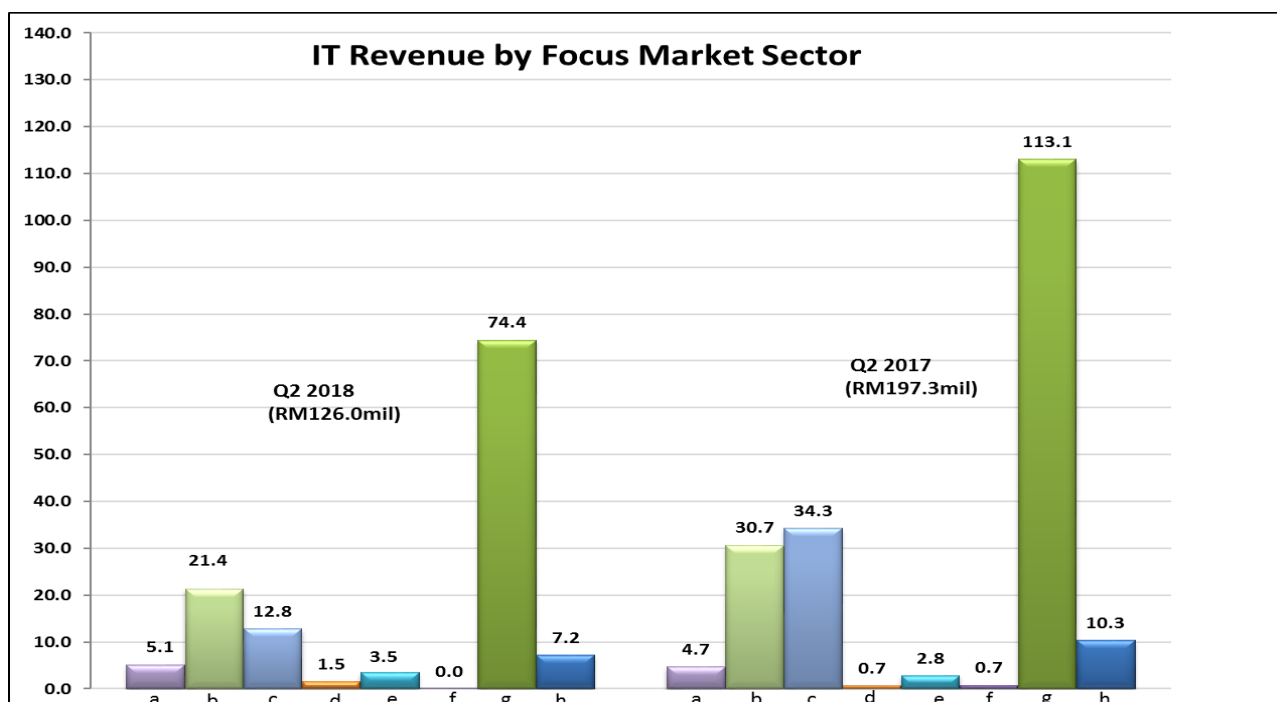
The Group recorded a profit of RM1,092,000 for the period ended 30 June 2018, a decrease by RM3,428,000 from a profit of RM4,520,000 for the period ended 30 June 2017.

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.

### 1. IT related products and services

The revenue for the financial period ended 30 June 2018 is RM126,003,000 as compared to RM197,309,000 for the financial period ended 30 June 2017.

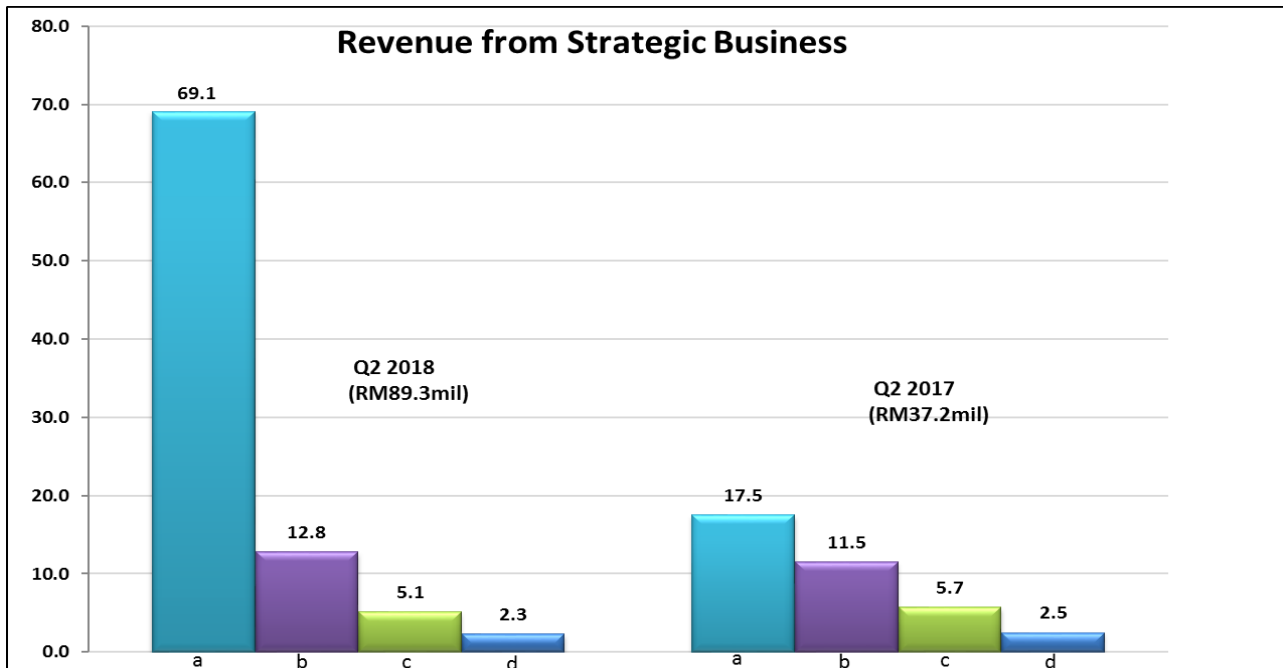
The breakdown of the contribution from different sectors for this segment is as follows:



- 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.
- Education
- Managed Services – ICT infrastructure solutions.
- Financial Services – Core banking, takaful, insurance and credit management solutions.

## 15. REVIEW OF PERFORMANCE (CONT'D)

### 2. Strategic business



#### a - Engineering works

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

The revenue for the financial period ended 30 June 2018 is RM69,114,000 as compared to RM17,508,000 for the financial period ended 30 June 2017.

#### b - Bulk mailing outsourcing services

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

The revenue for the financial period ended 30 June 2018 is RM12,764,000 as compared to RM11,509,000 for the financial period ended 30 June 2017.

#### c - Claims service providers

The companies under this sector provide insurance claims platform and parts database for the automotive industry.

The revenue for the financial period ended 30 June 2018 is RM5,123,000 as compared to RM5,703,000 for the financial period ended 30 June 2017.

#### d - Others

The companies under this sector involved in mobile value added services and provision of solutions to businesses.

The revenue for the financial period ended 30 June 2018 is RM2,272,000 as compared to RM2,478,000 for the financial period ended 30 June 2017.

## 16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded higher revenue at RM131,369,000 for the current quarter ended 30 June 2018 as compared to RM83,907,000 in the preceding quarter ended 31 March 2018.

The Group's margin for the current quarter ended 30 June 2018 has shown some improvement against the preceding quarter ended 31 March 2018. Pre-tax profit was increased from RM832,000 in the preceding quarter ended 31 March 2018 to RM1,225,000 for the quarter ended 30 June 2018, while net results has improved from a net loss of RM192,000 in preceding quarter ended 31 March 2018 to a net profit of RM1,284,000 for the current quarter ended 30 June 2018.

## 17. COMMENTARY ON PROSPECTS

The Malaysian economy continued to expand in the first half of 2018, supported by private sector activity. In terms of growth prospects, the MPC assessed that growth of the domestic economy is expected to remain firm. Private consumption will be underpinned by continued wage and employment growth, with an additional lift from higher household spending due to the zerorisation of the GST. (Source : Bank Negara Malaysia published on 16 August 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 ASEAN region.

### Strategic business

- a. Promoting value-added services to existing customer base from public and private sector.
- b. Exploring into renewable energy sector.
- c. Constant enhancement to the customers' facing platform and systems.

## 18. VARIANCE ON FORECASTED PROFIT

Not applicable.

## 19. PROFIT BEFORE TAX

Included in the profit before tax are the following items:

	<b>Current Quarter 30/06/2018 RM'000</b>	<b>Accumulated Current Quarter 30/06/2018 RM'000</b>
Interest income	(460)	(842)
Dividend income	(3,670)	(3,670)
Interest expense	1,150	2,100
Depreciation of property, plant and equipment	2,085	4,541
Amortisation of intangible assets	512	669
Impairment loss on :		
- Trade receivables	214	235
- Other receivables	-	49
- Intangible assets	-	-
Reversal gain on trade receivables	(10)	(10)
Gain on disposal of property, plant and equipment	-	-

## 20. TAXATION

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

	<b>Current Quarter 30/06/2018 RM'000</b>	<b>Accumulated Current Quarter 30/06/2018 RM'000</b>
Current taxation	59	(965)

## 21. CORPORATE DEVELOPMENTS

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

## 22. GROUP BORROWINGS AND DEBT SECURITIES

As at 30 June 2018, the Group has the following borrowings which are denominated in Ringgit Malaysia from local financial institutions:-

<b>Secured:</b>	<b>Total RM'000</b>
<u>Short Term Borrowings</u>	
Hire purchase creditor due within 12 months	169
Other short term borrowings due within 12 months	194,543
	<u>194,712</u>
<u>Long Term Borrowings</u>	
Hire purchase creditor due after 12 months	1,459
Other long term borrowings due after 12 months	12,829
	<u>14,288</u>
<b>Total</b>	<u>209,000</u>

## 23. MATERIAL LITIGATIONS

The Group is not engaged in any material litigations, claims or arbitration either as plaintiff or defendant as at 23 August 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

	<b>Current Quarter 30/06/2018</b>	<b>Accumulated Current Quarter 30/06/2018</b>
<u>a) Basic</u>		
Net loss attributable to ordinary equity holders of the parent company (RM'000)	1,676	1,245
Weighted average number of ordinary shares in issue ('000)	101,225	101,225
<b>Basic loss per share (sen)</b>	<u>1.66</u>	<u>1.23</u>

### b) Diluted

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

## 26. SIGNIFICANT EVENTS

There is no significant event reported for the period under review.

By Order of the Board

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

Secretary