

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

	<b>Unaudited 2018 As at 30 September RM'000</b>	<b>Audited 2017 As at 31 December RM'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant & equipment	47,636	50,705
Intangible assets	20,670	22,448
Investment in associates	4,617	4,419
Other investments	1,684	2,914
Lease receivable	12,391	22,903
Deferred tax assets	84	85
<b>TOTAL NON-CURRENT ASSETS</b>	<b>87,082</b>	<b>103,474</b>
<b>CURRENT ASSETS</b>		
Inventories	683	758
Trade and other receivables	116,786	102,864
Lease receivable	23,451	23,452
Due from customers on contracts	100,017	109,724
Tax recoverable	1,298	757
Cash and bank balances	91,449	94,887
<b>TOTAL CURRENT ASSETS</b>	<b>333,684</b>	<b>332,442</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	93,428	118,570
Due to customers on contracts	-	8,495
Tax payable	53	1,501
Short term borrowings	158,830	129,326
Hire purchase payables	133	704
<b>TOTAL CURRENT LIABILITIES</b>	<b>252,444</b>	<b>258,596</b>
<b>NET CURRENT ASSETS</b>	<b>81,240</b>	<b>73,846</b>
	<b>168,322</b>	<b>177,320</b>
<b>FINANCED BY:</b>		
Share capital	117,751	117,751
Share premium	-	-
Foreign currency translation reserve	(632)	(331)
Retained earnings	37,206	33,802
Shareholders' equity	154,325	151,222
Non-controlling interests	2,636	5,030
Shareholders' Funds	156,961	156,252
<u>Long Term Liabilities</u>		
Long term borrowings	9,681	19,250
Hire purchase creditors	1,387	1,313
Deferred tax liabilities	293	505
Non-current liabilities	11,361	21,068
	<b>168,322</b>	<b>177,320</b>
Net asset per share attributable to ordinary equity holders of the parent (RM)	1.32	1.27

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

	Individual Quarter		Cumulative Quarter	
	2018	2017	2018	2017
	Current quarter ended 30 September	Comparative quarter ended 30 September	9 months cumulative to date	Comparative 9 months cumulative to date
	RM'000	RM'000	RM'000	RM'000
Revenue	89,298	104,320	304,574	338,826
Other Income	8,665	1,500	14,723	3,516
Total Income	97,963	105,820	319,297	342,342
Employee Benefits Expense	(23,210)	(23,831)	(67,916)	(77,257)
Purchase of Hardware and Software	(4,523)	(13,076)	(20,979)	(46,323)
Telecommunication Costs	(7,283)	(6,886)	(21,742)	(24,158)
Software License and Hardware Maintenance Cost	(12,369)	(9,967)	(34,185)	(60,553)
Bulk Mailing Processing Charges	(2,995)	(4,564)	(12,802)	(12,635)
Depreciation	(1,755)	(2,657)	(6,296)	(7,942)
Project Implementation Costs	(38,058)	(36,338)	(128,542)	(69,779)
Other Operating Expenses	(6,667)	(9,640)	(21,230)	(34,039)
Total Operating Expenditure	(96,860)	(106,959)	(313,692)	(332,686)
Profit/(loss) from Operations	1,103	(1,139)	5,605	9,656
Finance Cost	(1,599)	(1,923)	(3,699)	(5,895)
Share of Results of Associated Companies	543	168	198	252
Profit/(loss) Before Taxation	47	(2,894)	2,104	4,013
Taxation	(129)	298	(1,094)	(2,089)
Profit/(loss) for the period	(82)	(2,596)	1,010	1,924
Profit/(loss) attributable to:				
Equity holders of the Parent	2,159	(2,784)	3,404	1,930
Non-controlling interests	(2,241)	188	(2,394)	(6)
	(82)	(2,596)	1,010	1,924
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	2.13	(2.75)	3.36	1.91
b) Unaudited Condensed Consolidated Statement of Comprehensive Income				
Shareholders' Funds	(82)	(2,596)	1,010	1,924
Foreign currency translation	(79)	(79)	(301)	(104)
Total comprehensive income	(161)	(2,675)	709	1,820
Total comprehensive income attributable to:				
Equity holders of the Parent	2,080	(2,840)	3,103	1,257
Minority Interest	(2,241)	165	(2,394)	563
	(161)	(2,675)	709	1,820

**HEITECH PADU BERHAD**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 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>	-	-	(301)	3,404	3,103	(2,394)	709
At 30 September 2018	<u>117,751</u>	<u>-</u>	<u>(632)</u>	<u>37,206</u>	<u>154,325</u>	<u>2,636</u>	<u>156,961</u>
<b>For the period ended 30 September 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>	-	-	(673)	1,930	1,257	563	1,820
<b>Transaction with owners</b>							
Dividends paid	-	-	-	(5,061)	(5,061)	-	(5,061)
At 30 September 2017	<u>101,225</u>	<u>16,526</u>	<u>(9)</u>	<u>49,730</u>	<u>167,472</u>	<u>7,340</u>	<u>174,812</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 30/09/2018.*

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

	<b>Period ended 30 September 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	2,104	(14,541)
Adjustments for:		
Depreciation	6,296	11,654
Finance costs	3,699	6,584
Impairment loss on:		
- trade receivables	611	1,570
- other receivables	49	49
Reversal of impairment loss on trade receivables	(9)	(2,893)
Amortisation of intangible assets	1,002	1,024
Impairment of intangible assets	-	9,200
Provision for liabilities	(1,724)	-
Unrealised foreign exchange gain	-	(61)
Share of results of associates	(198)	56
Gain on disposal of property, plant and equipment	-	(56)
Gain on disposal of investments	(7,543)	-
Interest income	(1,371)	(1,861)
Dividend income	(3,670)	-
Operating (loss)/profit before working capital changes	<u>(754)</u>	<u>10,726</u>
Decrease in inventories	75	301
(Increase)/decrease in receivables	(15,509)	38,965
(Increase)/decrease in other current assets	9,708	(13,849)
Increase in amount due to customers on contracts	2,017	6,941
(Decrease)/increase in payables	<u>(23,418)</u>	<u>11,091</u>
Cash (used in)/generated from operations	<u>(27,881)</u>	<u>54,175</u>
Interest paid	(3,699)	(6,584)
Income taxes paid	<u>(1,711)</u>	<u>(1,846)</u>
Net cash (used in)/generated from operating activities	<u>(33,291)</u>	<u>45,745</u>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Interest received	1,371	1,861
Net dividends received	3,670	-
Net proceed from disposal of investment	7,543	-
Increase investment in an associate	-	(55)
Proceeds from disposal of property, plant and equipment	-	177
Purchase of property, plant and equipment	(3,100)	(7,316)
Software development cost incurred	-	(1,482)
Net cash generated from/(used in) investing activities	<u>10,714</u>	<u>(6,815)</u>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	(5,461)
Net proceeds from loans and borrowings	(11,483)	326
(Repayment)/net proceeds of obligations under finance leases	(497)	1,217
Placement of deposits from securities for bank borrowings.	(6,858)	(15,775)
Placement of deposits with licensed banks	-	(1,515)
Net cash used in financing activities	<u>(18,838)</u>	<u>(21,208)</u>
<b>NET (DECREASE)/INCREASE IN CASH &amp; CASH EQUIVALENTS</b>		
Effect of exchange rate changes on cash and cash equivalents	(41,415)	17,722
Effect of exchange rate changes on cash and cash equivalents	(301)	(576)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<u>9,216</u>	<u>(7,930)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>(32,500)</u>	<u>9,216</u>
<b>CASH &amp; CASH EQUIVALENTS COMPRISE:</b>		
Cash and bank balances	16,471	22,138
Fixed deposits with licensed banks	74,978	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>(74,978)</u>	<u>(68,120)</u>
	<u>(32,500)</u>	<u>9,216</u>

**UNAUDITED RESULTS FOR  
THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 depict 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 September 2018 are as follows:

	<b>Unaudited Financial Period 30/09/2018 RM'000</b>
Approved and contracted for	<u>515</u>
Approved but not contracted for	<u>52</u>

## 13. CONTINGENT LIABILITIES

There were no contingent liabilities for the Group as at 22 November 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 the past, HeiTech companies and their business were defined and reported based on the business offering of the respective company. Similar activities were grouped together and reported as one segment. Initially they were reported under three (3) segments, namely information technology; mailing and document processing services and services; and engineering works. Then, the segments were briefly reported as IT related product and services and strategic business. The segmental reporting is once again revised by taking into consideration the decision making process and business challenges that are faced by the Group during the period.

The Group segments are now reported as the following core businesses.

### 1. Core 1

Core 1 essentially consolidates HeiTech's brands in the information technology sectors. Activities focus on in serving the public and private sectors with the range of services and products portfolio from system integration and application development, maintenance, managed services, financial and business solutions.

### 2. Core 2

Core 2 leverages on the multi-offerings and multi-industries of the companies within the Group. These offerings range from energy sector constructions, bulk mailing and outsourcing services, automotive/insurance claims platform services, mobile applications, simulation and training to various customers.

### 3. Core 3

Core 3 is set-up to pave the way for the Group with potential new business either within the existing or new market. In light of constant changes and volatility in the social, economic and political climates, the Group understand the needs for a dedicated team to explore and discover new potentials and possibilities.

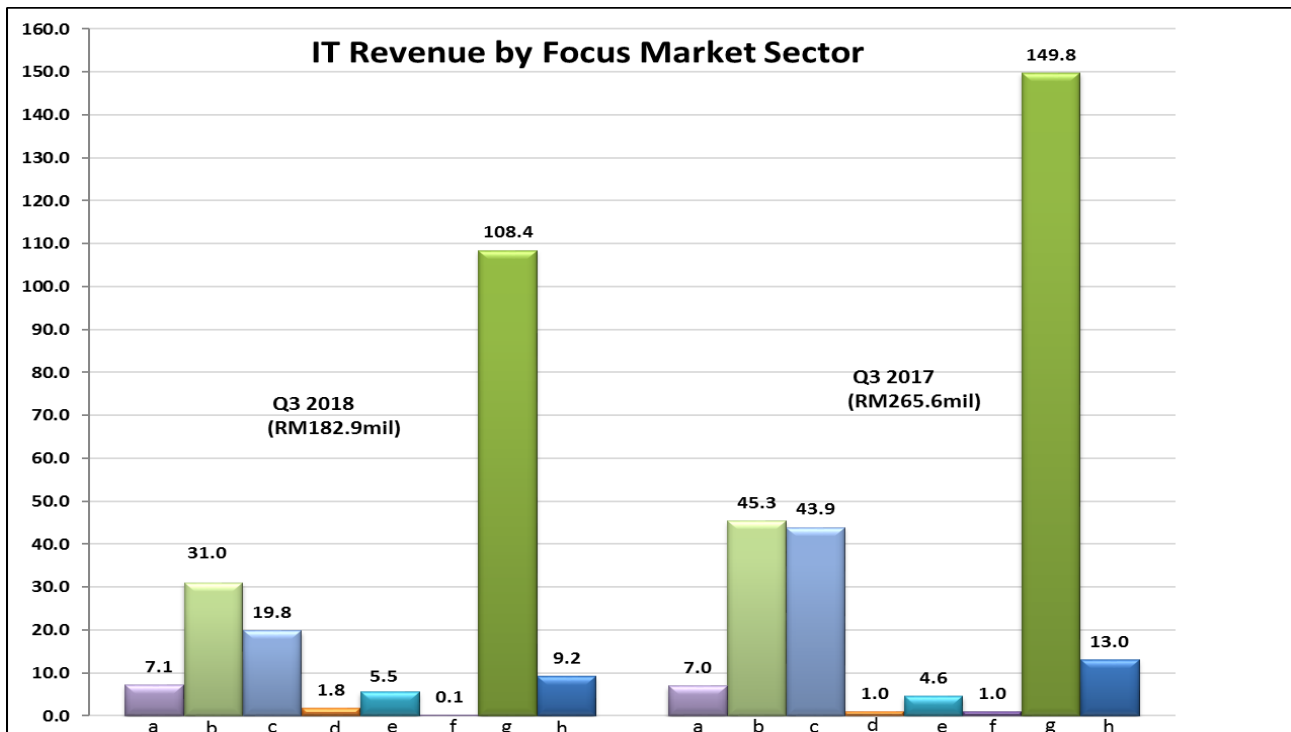
For the period ended 30 September 2018	Core 1	Core 2	Core 3	Consolidation Adjustments	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000
<b>REVENUE</b>					
External	167,765	130,666	6,143	-	304,574
<b>RESULT</b>					
Profit/(loss) after tax	2,794	(305)	(931)	(548)	1,010
For the period ended 30 September 2017	Core 1	Core 2	Core 3	Consolidation Adjustments	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000
<b>REVENUE</b>					
External	250,345	81,222	7,259	-	338,826
<b>RESULT</b>					
Profit/(loss) after tax	3,306	1,073	(2,449)	(6)	1,924

## 15. REVIEW OF PERFORMANCE

The Group recorded a profit of RM1,010,000 for the period ended 30 September 2018, a decrease by RM914,000 from a profit of RM1,924,000 for the period ended 30 September 2017.

The decline in the results was attributed to the conclusion of a major contract from the Core 1 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.

The revenue of the Group were mainly contributed by the following market sectors.



- 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.

The revenue contributed to the Group from the above market sectors for the financial period ended 30 September 2018 is RM182,897,000 as compared to RM265,614,000 for the financial period ended 30 September 2017.

## **16. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

The Group recorded lower revenue at RM89,298,000 for the current quarter ended 30 September 2018 as compared to RM131,369,000 in the preceding quarter ended 30 June 2018.

The Group had also shown some reduction in the margins for the current quarter as opposed to the preceding

- i. Profit before tax decreased from RM1,225,000 in the preceding quarter ended 30 June 2018 to RM47,000.
- ii. The net results decreased from a profit of RM1,284,000 in preceding quarter ended 30 June 2018 to a loss of RM82,000.

## **17. COMMENTARY ON PROSPECTS**

The Malaysian economy is expected to remain on a steady growth path, with private consumption the main driver of growth, investment activity sustained and exports providing an additional lift to growth, albeit to a lesser extent. Underlying economic factors are providing continued support to domestic economic growth, including low unemployment and a surplus in the current account of the balance of payments. (Source : Bank Negara Malaysia published on 16 November 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:

- 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.
- c. Promoting value-added services to existing customer base from public and private sector.
- d. 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 30/09/2018</b>	<b>Accumulated Current Quarter 30/09/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest income	(529)	(1,371)
Dividend income	-	(3,670)
Interest expense	1,599	3,699
Depreciation of property, plant and equipment	1,755	6,296
Amortisation of intangible assets	333	1,002
Impairment loss on :		
- Trade receivables	376	611
- Other receivables	-	49
- Intangible assets	-	-
Reversal gain on trade receivables	1	(9)
Gain on disposal of a simple investment	(7,543)	(7,543)

## 20. TAXATION

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

	<b>Current Quarter 30/09/2018</b>	<b>Accumulated Current Quarter 30/09/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Current taxation	(129)	(1,094)

## 21. CORPORATE DEVELOPMENTS

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

## 22. GROUP BORROWINGS AND DEBT SECURITIES

As at 30 September 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	133
Other short term borrowings due within 12 months	158,830
	<u>158,963</u>
<u>Long Term Borrowings</u>	
Hire purchase creditor due after 12 months	1,387
Other long term borrowings due after 12 months	9,681
	<u>11,068</u>
<b>Total</b>	<u>170,031</u>

## 23. MATERIAL LITIGATIONS

The Group is not engaged in any material litigations, claims or arbitration either as plaintiff or defendant as at 22 November 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 30/09/2018</b>	<b>Accumulated Current Quarter 30/09/2018</b>
<u>a) Basic</u>		
Net profit attributable to ordinary equity holders of the parent company (RM'000)	2,159	3,404
Weighted average number of ordinary shares in issue ('000)	101,225	101,225
<b>Basic earning per share (sen)</b>	<u>2.13</u>	<u>3.36</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