

**HeiTech®**

HeiTech Padu Berhad  
(310628-D)

**ANNUAL REPORT 2017**

# COMPANY OVERVIEW

## VISION

To become the technology-based transformational company in Malaysia and beyond

## MISSION

To be truly TRANSFORMATIONAL by:

- Providing Total Solutions
- Creating Innovative Products
- Consulting for a Better World

## OUR COMMITMENT

Our passion unites us in our quest for excellence in offering ICT systems and technology services that deliver greater security, added convenience and peace of mind. By listening to what you want, we focus our solutions towards meeting your needs and expectations, in adding even more value to your organisation.

## OUR TRACK RECORD

We are global! We have touched the lives of Malaysians and citizens all over the world. By embracing cutting-edge technologies, we have revolutionised the automated systems of numerous customers in both the public and private sectors. From our humble beginning of implementing mega ICT projects in Malaysia, we have gradually progressed to applying our expertise globally, and also helping foreign governments and corporations in transforming complex mission-critical operations and business processes into simplified solutions that work.

## STAFF STRENGTH

- More than 900 staff
- More than 80% are technical professionals

## OUR EDGE

**More than 20 years of ICT development and implementation experience.**

Managing complexities in public and private sector projects.

### Incumbent solution provider

Collaborating with major world class technology providers to deliver the best of breed solutions.

## Mission critical systems

Trusted by organisations across the globe in delivering mission critical projects.

## Global presence

Enabled via our resources and partners all over the world.

## Value-added technology and business processes

Delivering values to businesses in all industries via improved business process and application.

# CONTENTS

## 01

### WHO WE ARE & WHAT WE DO

- 2 Chairman's Statement
- 3 Solutions & Services
- 5 Corporate Information
- 6 Group Structure

## 02

### OUR STRATEGIC INTENT & PERFORMANCE

- 7 Financial Calendar 2017
- 8 Simplified Selected Five (5) Years Group Review
- 9 Five (5) Years Group Performance Highlights
- 10 Management Discussion and Analysis
- 21 Significant Events
- 23 Sustainability Report

## 03

### HOW WE ARE GOVERNED

- 36 Board of Directors
- 38 Profile of Directors
- 47 Profile of Company Secretaries
- 48 Profile of Management Team
- 51 Chairman's Introduction on HeiTech's Corporate Governance
- 52 Statement of Corporate Governance
- 61 Audit Committee Report
- 65 Statement on Risk Management & Internal Control
- 71 Disclosure to Bursa Malaysia

## 04

### FINANCIAL STATEMENTS

- 74 Directors' Report
- 80 Statement by Directors Pursuant to Section 251(2) of the Companies Act 2016
- 80 Statutory Declaration Pursuant to Section 251(1)(B) of the Companies Act 2016
- 81 Independent Auditors' Report
- 87 Statements of Comprehensive Income
- 89 Statements of Financial Position
- 91 Statements of Changes in Equity
- 93 Statements of Cash Flows
- 96 Notes to the Financial Statements

## 05

### OTHER INFORMATION

- 177 List of Properties
- 178 Shareholder Analysis

## 06

### ANNUAL GENERAL MEETING

- 180 Notice of Annual General Meeting
- 183 Statement Accompanying Notice of Annual General Meeting
- 184 Administrative Guidelines and Notes
  - Proxy Form

## CHAIRMAN'S STATEMENT

### OUR VALUES SHAREHOLDERS AND STAKEHOLDERS,

2017 has been another turbulent year for us. Just when we thought things are going to get better after two years on the path of recovery, once again we found ourselves to be down on our knees. Despite registering a revenue that was higher than previous year, we cannot say the same about the bottom line.

*Fatefully, that is what life is all about. It is not about how hard we are hit, but it is about how hard we can take the hit and bounce back. It can be said that the same is applicable to our business. Winston Churchill once said that "Success is not final, failure is not fatal: it is the courage to continue that counts."*

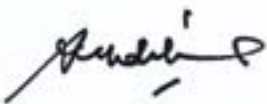
*Hence, we are giving our assurance that we will pull through and will continue to fight for the future of HeiTech.*

*On that note, I am taking this opportunity to express my deepest appreciation and gratitude to all our shareholders and stakeholders for the unceasing support and faith in HeiTech.*

*I would also want to express my profound appreciation to my fellow Board Members for their wise counsel and leadership, and my Management Team for their hard work and commitment.*

*Finally, I would like record my wholehearted acknowledgement and recognition to all the members of HeiTech workforce for the hard work, passion and dedication.*

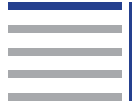
*Thank you.*



**Dato' Sri Mohd Hilmey Mohd Taib**  
Chairman







## SOLUTIONS & SERVICES

As a Global ICT System and Technology Services provider, HeiTech has developed a comprehensive suites of solutions and services that are holistic, integrated and cutting-edge, covering the entire life cycle of systems, infrastructure and product development.

### CORE CAPABILITIES

#### SYSTEM INTEGRATION & APPLICATION DEVELOPMENT

One size does not fit all and that is why we provide end-to-end customised solutions that meet our clients' specific needs. We use a three-pronged approach formulating strategies that best answer the requirements of our clients, developing application systems, and finally, integrating systems of different platforms.

Being an end-to-end solutions provider, we offer complete project implementation services which includes project management services, systems management services, deployment services, user training, and post implementation support services.

#### ICT INFRASTRUCTURE SOLUTIONS

##### • MANAGED DATA CENTER SERVICES (i-Sentrix)

We own and manage a Tier-IV ready Data Centre providing world class services of developing, building and managing data centre facilities for our clients.

The combination of experience and technical certification such as Information Security Management System (ISO/IEC 27001:2013), Quality Management System (ISO/IEC 9001:2015) and Information Technology Service Management System (ISO/IEC 20000-1:2011) has enabled us to provide the high standard of qualities that meets the demand of many organisations in terms of service level, availability, data integrity and security.

Our suite of Data Centre Services consists of:

- Data Centre Management Services
- Infrastructure Development & Management Services
- Business Recovery Management Services
- Mainframe Technical Services

##### • MANAGED NETWORK SERVICES (Padu\*Net)

As Malaysia's largest non-telecommunications service provider, our network services support multi-protocol applications into one secured private network. Our network infrastructure also consists of multiple telecommunications and trunk carriers. This network diversity enables us to offer excellent connectivity and availability to our clients.

We are committed in providing up to 99.9% network service availability to our clients, at all times. This commitment is realised through our centralised monitoring and around-the-clock customer service.

We also assist our clients to develop, build and manage network infrastructure and services.

Our set of network services consists of the following technologies:

- Internet Protocol Virtual Private Network (IPVPN)
- IP Broadband (DSL)
- Metro Ethernet (Metro-E)
- 3G/ 4G
- VSAT
- Leased Line
- Wireless Leased Line
- Branch in a Bag
- Managed Wi-Fi as a Service

##### • CLOUD COMPUTING SERVICES (AwanHeiTech)

We offer flexible cloud computing services, tailored to our client's specific business requirement—from building a private cloud, hosting cloud infrastructure to managing shared cloud services. Our cloud computing services help streamline clients' budgets as they are economically- friendly on capital expenditure, hardware refresh cycles, hardware-software operations and maintenance expenses.

Our suite of cloud services consists of:

- Infrastructure as a Service
- Storage as Service
- Disaster Recovery as a Service
- Data Protection as a Service
- Desktop as a Service
- Platform as a Service

##### • MANAGED SECURITY SERVICES (Secure-X)

As managed security services provider, we combine key elements of people, processes and technology, offering 24 x 7 security operations and support.

The combined experience of our technical expertise allows for deployment of multi-technology, either 'on premise' or hosted solution, handling of different security threat landscape, in accordance to the necessary compliance, regulatory or standards such as Information Security Management System (ISO/IEC 27001:2013) and Malaysian Personal Data Protection (PDPA). We are committed to ensure the safety and security of customer critical business data, providing security insight on their system.

Our information security services (Secure-X) span complete application and infrastructure coverage consisting of:

##### Vulnerability Management

- Vulnerability Scanning
- Application Scanning
- Security Operations Centre
- Threat Hunting
- Forensic Analysis
- Security Testing

##### Intelligent Threat Management

- Web Application Firewall
- Identity Management
- Endpoints Security
- Perimeter Security
- Server Security

##### Compliance Management and Consultancy

- Cybersecurity Framework
- Secure Code Review
- Security Standards Assessment
- Training and Awareness
- Security Architecture Design

## SOLUTIONS & SERVICES

### • ICT MAINTENANCE & DEPLOYMENT (Pro\*Services)

We offer ICT Maintenance and Deployment services nationwide, particularly to organisations that have multiple branches. Our dedicated on-site engineers provide 24x7x365 support to customers in attending to problems and rectifications. With the recent establishment of 20 Universal Service Centre (USC) nationwide, we have extended our services to data recovery services, telco value-added services and ICT hardware repair services.

Our suite of services consist of:

- ICT Maintenance Services
- ICT Deployment Services
- Co-Location & ICT Infrastructure
- Telco Value-Added Services
- Universal Service Centre (USC)

### • FINANCIAL SOLUTIONS (Fin\*Solutions)

With more than 20 years of experience in providing ICT Infrastructure Services to financial institutions, we are now venturing into application development for Financial Services Industry (FSI) market. We have a group of FSI SMEs with knowledge and skills in unit trust, loan management, general ledger, customer information, deposit, payment and branch delivery.

Our home-grown products will be able to help customers in reconciling huge data, integrating to legacy and proprietary devices, reducing implementation cost and simplify the development of channels applications.

#### Re.Con

- Re.Con is a data reconciliation software that enables organisations to take control of their financial data by way of reconciling huge data from various sources. Re.Con allows online assignment of data management tasks to the employees to enhance operation effectiveness.

#### ezVERIFY

- ezVERIFY is a security based product that offers two-factor authentication capability using password and biometric.

### Device Service Server (DSS)

- DSS is developed to make devices integration and device sharing easier.

#### e-Connect

- e-Connect is a middleware that provides "protocol-switching" between application that use different network protocols, thus enabling interoperability among them.

#### Hybrid Client

- Hybrid Client is a software development tool that enables fast development of a new front-end application of a branch delivery system.

### SPECIFIC SOLUTIONS

Capitalising on over two decades of experience in both public and private sectors, we have diversified our solutions to include industries such as National Security, Transport, Healthcare, and Defence.

#### NATIONAL SECURITY

- Passport Issuance
- Visa Issuance
- Border Management

#### TRANSPORT

- Automatic Driving Test System and Services (eTesting)
- Driving School Management System (eDISI)
- Multi-Functional Government Self Service Kiosk Solutions
- Students' Car Rental System Vehicle Information System Integration Services (VISI)

#### HEALTHCARE

- Hospital Information System
- GP Clinics Patient Management System

#### DEFENCE

- Simulated Interactive Maintenance Aids
- Integrated Training & Tactical Command Control System
- Security Assessment Services

### VALUE-ADDED BUSINESSES

Our expertise goes far beyond our traditional range of products and services. We offer our clients a comprehensive range of value-added services that meet their needs.

#### OTHER E-GOVERNMENT RELATED SOLUTIONS

- Inter-Agency Link-Up System
- Pension Management System
- Hajj Management System
- Postal Management System

#### BUSINESS PROCESS OUTSOURCING

- Manual Mail Processing
- Electronic Bill Presentment
- Record Management Services
- Digital Printing Services
- Will Document Management

#### MOBILE APPLICATION AND SOLUTIONS

- myMMS
- mySMS
- myPAY
- myAPP
- 1GOV AppStore

#### ENGINEERING

- Construction of power station
- Engineering consulting services

#### AUTOMOTIVE SOLUTIONS

- Thatcham Parts and Times System
- Thatcham Parts Analysis
- Claims Processing Centre
- Vehicle Data History Reports

#### CONTENT DEVELOPMENT

- Web Portal Application Development
- Interactive Product Training

#### ENTERPRISE SOLUTIONS

- SAP Suite of Product
- Identity Authentication & Mobility Solutions
- Electronic Commerce
- Middleware Products



## CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Sri Mohd Hilmey Bin Mohd Taib**  
Chairman

**Dato' Haji Ghazali Bin Awang**  
Independent Non-Executive Director

**Syed Agel Bin Syed Salim**  
Non-Independent Non-Executive Director

**Dato' Mohd Fadzli Bin Yusof**  
Independent Non-Executive Director

**Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor**  
Independent Non-Executive Director

**Sulaiman Hew Bin Abdullah**  
Independent Non-Executive Director

**Wan Ainol Zilan Binti Abdul Rahim**  
Independent Non-Executive Director

**Amizar Binti Mizuar**  
(Appointed w.e.f 30<sup>th</sup> January 2018)  
Non-Independent Non-Executive Director

**Dato' Dr. Mohamed Ariffin Bin Aton**  
(Resigned w.e.f 31<sup>st</sup> December 2017)  
Non-Independent Non-Executive Director

**Audit Committee**

**Dato' Haji Ghazali Bin Awang**  
Chairman  
Independent Non-Executive Director

**Syed Agel Bin Syed Salim**  
Non-Independent Non-Executive Director

**Wan Ainol Zilan Binti Abdul Rahim**  
Independent Non-Executive Director

**Risk Management Committee**

**Dato' Mohd Fadzli Bin Yusof**  
Chairman  
Independent Non-Executive Director

**Sulaiman Hew Bin Abdullah**  
Independent Non-Executive Director

**Amizar Binti Mizuar**  
(Appointed w.e.f 30<sup>th</sup> January 2018)  
Non-Independent Non-Executive Director

**Dato' Dr. Mohamed Ariffin Bin Aton**  
(Resigned w.e.f 31<sup>st</sup> December 2017)  
Non-Independent Non-Executive Director

**Nomination & Remuneration Committee**

**Dato' Haji Ghazali Bin Awang**  
Chairman  
Independent Non-Executive Director

**Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor**  
Independent Non-Executive Director

**Sulaiman Hew Bin Abdullah**  
Independent Non-Executive Director

**Group Company Secretaries**  
**Siti Shahwana Binti Abdul Hamid**  
MAICSA 7018383

**Amir Zahini Bin Sahrim**  
MAICSA 7034464

**Management Team**

**Harris Bin Ismail**  
President and Group Chief Executive Officer,  
HeiTech Padu Berhad and, Chief Executive  
Officer PSG Data Sdn Bhd

**Ahmad Nasrul Hakim Bin Mohd Zaini**  
Executive Vice President Finance, and  
Chief Financial Officer

**Salmi Nadia Binti Mohd Hilmey**  
Executive Vice President  
Risk Management & Corporate Services

**Abdul Halim Bin Md Lassim**  
Executive Vice President HeiTech Padu  
Berhad and, Chief Executive Officer of  
HeiTech Managed Services Sdn Bhd and  
HeiTech iSolutions Sdn Bhd

**Norazlina Binti Latiff**  
Vice President, Project Delivery for the PSG  
Data Sdn Bhd

**Dr. Nor Hazilawati Binti Awang**  
Chief Operating Officer, HeiTech iSolutions  
Sdn Bhd (HiS) and Chief Digital Officer,  
HeiTech Managed Services Sdn Bhd (HMS)

**Registered Office**

Level 15 HeiTech Village  
Persiaran Kewajipan  
USJ 1 UEP Subang Jaya  
47600 Subang Jaya  
Selangor Darul Ehsan Malaysia  
Tel : +603-8026 8888  
Fax : +603-8024 7997

**Incorporated**

5 August 1994

**Website Address**

www.heitech.com.my

**Auditor**

**Messrs. Hanafiah Raslan & Mohamad**  
Level 23A Menara Millenium Jalan  
Damanlela Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur

**Principal Bankers**

- Affin Bank Berhad &  
Affin Islamic Bank Berhad
- RHB Islamic Bank Berhad &  
RHB Bank Berhad
- Bank Muamalat Malaysia Berhad

- CIMB Bank Berhad
- AmlIslamic Bank Berhad
- Malayan Banking Berhad &  
Maybank Islamic Berhad
- Public Bank Berhad
- Bank Islam Malaysia Berhad
- Emirates Islamic Bank

**Principal Solicitors**

**Messrs. Cheang & Ariff**  
39 Court@Loke Mansion  
273A Jalan Medan Tuanku  
50300 Kuala Lumpur

**Messrs. Rajes Hisham Rahim & Gopal**

15, 6<sup>th</sup> Floor  
Yee Seng Building  
Jalan Raja Chulan  
50200, Kuala Lumpur

**Share Registrar**

**Tricor Investor & Issuing House  
Services Sdn Bhd**

Unit 32-01 Level 32 Tower A Vertical Business  
Suite Avenue 3 Bangsar South  
No. 8 Jalan Kerinchi  
59200 Kuala Lumpur Malaysia  
Tel : +603-2783 9299  
Fax : +603-2783 9222

**Stock Exchange Listing**

**Main Market of Bursa Malaysia  
Securities Berhad**

(Listed since 20 November 2000)

**Stock Code : 5028**

**Stock Name : HTPADU**

**14<sup>th</sup> Floor Exchange Square**

**Bukit Kewangan**

**P.O. Box 11023**

50670 Kuala Lumpur

Tel : +603-2034 7000

Fax : +603-2710 2308

**AGM Helpdesk**

**Amir Zahini Bin Sahrim**

Tel : +603-8601 3454

Fax : +603-8024 7997

**Khyrul Anwaar Bin Mohamed Nor Azizi**

Tel : +603-8601 3125

Fax : +603-8024 7997

## GROUP STRUCTURE

### SUBSIDIARIES

**100%**

HeiTech Managed Services Sdn Bhd

**100%**

HeiTech e\*Business Solution Sdn Bhd

**100%**

HeiTech i-Solutions Sdn Bhd

**100%**

HeiTech Transbiz Sdn Bhd

**100%**

HeiTech Global Services Sdn Bhd

**100%**

Integrated Healthcare Solutions Sdn Bhd

**100%**

PSG Data Sdn Bhd

*(formerly known as HeiTech Health Services Sdn Bhd)*

**100%**

HeiTech Defence System Sdn Bhd

**100%**

HeiTech Academy Sdn Bhd

**100%**

Inter-City MPC (M) Sdn Bhd

**100%**

Cinix 1 Pty. Ltd.

**100%**

Pro-Office Solutions Sdn Bhd

**100%**

HeiTech NX Sdn Bhd

**80%**

DAPAT Vista Sdn Bhd

**70%**

P.T. Intercity Kerlipan

**60%**

Motordata Research Consortium Sdn Bhd

**51%**

Duta Technic Sdn Bhd

### ASSOCIATE AND INVESTMENT

**49%**

InTech Solutions Pvt. Ltd.

**49%**

Silvertech Global Ltd.

*(a subsidiary of Silvertech Global Sdn Bhd)*

**40%**

e-Komoditi Sdn Bhd

**39%**

Peladang HeiTech Sdn Bhd

**29%**

Vantage Point Consulting Sdn Bhd

**10%**

Saeed for Traffic Systems LLC

Notes:

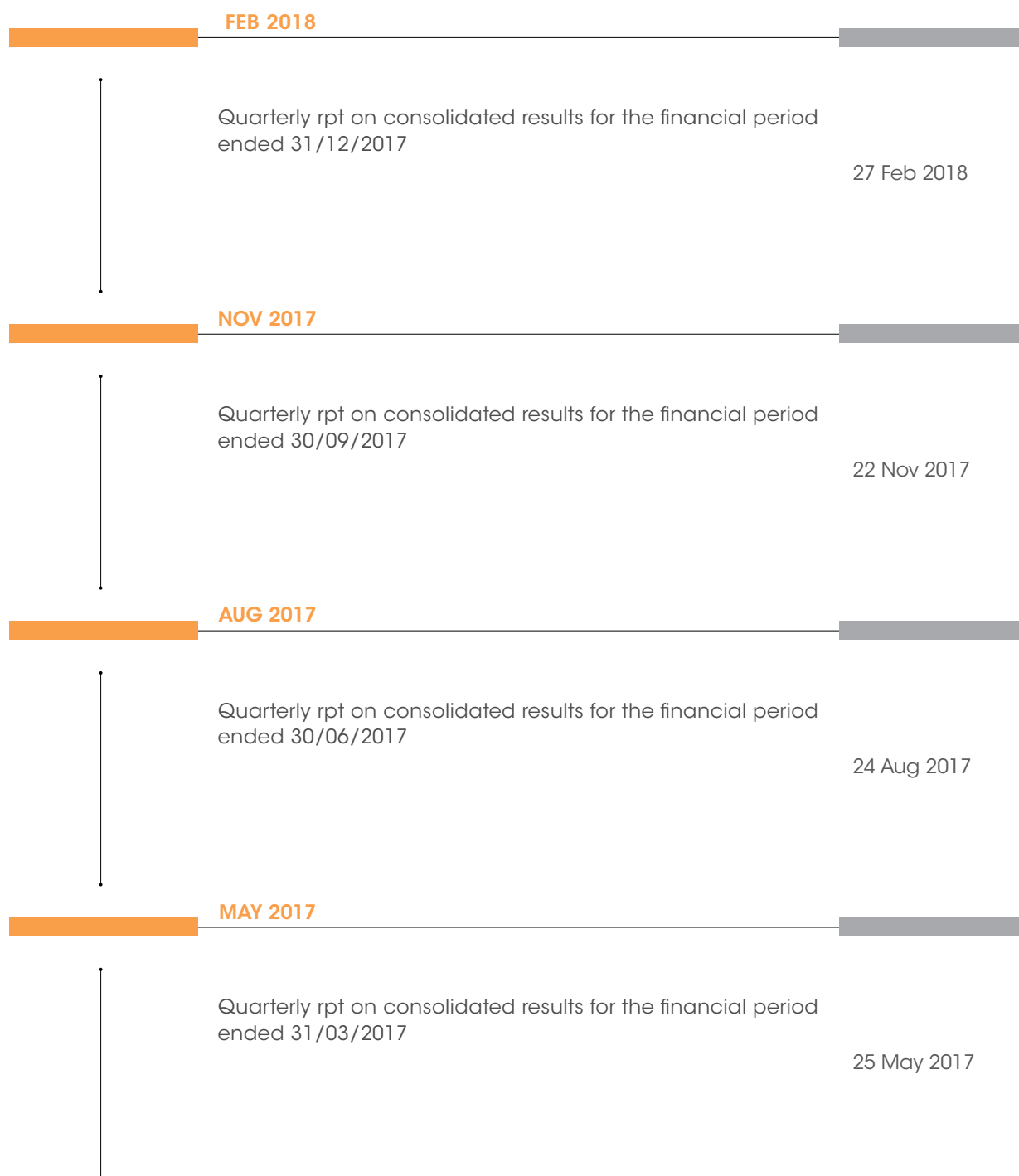
- The companies reflected above are active operating subsidiaries, associate and investment companies.
- Information is accurate as at to date 31<sup>st</sup> March 2018.





## FINANCIAL CALENDAR 2017

### ANNOUNCEMENT OF FINANCIAL RESULTS



## SIMPLIFIED FIVE SELECTED YEARS GROUP REVIEW

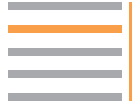
	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
<b>REVENUE</b>					
Network Services Fees	84,672	74,642	75,930	66,553	<b>55,334</b>
System Application and Development	65,081	61,987	40,480	44,623	<b>45,360</b>
Sales of Hardware and Software	75,018	139,795	62,133	33,782	<b>39,689</b>
Disaster Recovery and Facility Management Services	35,330	30,094	29,465	45,332	<b>38,736</b>
Maintenance of Hardware, Software and Application	116,120	116,484	122,188	117,144	<b>137,688</b>
Bulk Mailing Charges	30,269	33,587	31,409	25,516	<b>22,241</b>
Engineering works	-	-	7,055	20,673	<b>80,725</b>
Others	7,328	4,870	7,578	8,965	<b>7,099</b>
	413,818	461,459	376,238	362,588	<b>426,872</b>
<b>PROFITABILITY</b>					
Profit Before Tax (RM'000)	(31,438)	(9,947)	2,431	14,049	<b>(14,541)</b>
Profit Before Tax Margin (%)	-7.6%	-2.2%	0.6%	3.9%	<b>-3.4%</b>
Profit After Taxation (RM'000)	(33,349)	(10,423)	1,212	7,883	<b>(15,346)</b>
(Loss)/Profit Attributable to Shareholders (RM'000)	(32,743)	(10,474)	934	7,169	<b>(13,998)</b>
Earnings per Share (RM)	-0.32*	-0.10*	0.0092*	0.0708*	<b>-0.1383*</b>

\* Based on the weighted average of 101,225,000 ordinary shares.

	2013	2014	2015	2016	2017
<b>ASSETS EMPLOYED</b>					
Total Assets (RM'000)	480,287	519,395	455,256	460,525	<b>435,916</b>
Fixed Assets (RM'000)	193,084	173,034	143,148	131,159	<b>103,474</b>
Net Current Assets (RM'000)	96,489	56,054	78,370	80,902	<b>73,846</b>
Current Ratio	1.51	1.19	1.34	1.33	<b>1.29</b>
Gearing Ratio	60%	57%	56%	53%	<b>54%</b>
Shareholders' Fund (RM'000)	175,672	160,958	161,807	171,275	<b>151,222</b>
Net Tangible Assets per Share (RM)	1.48+	1.32+	1.30+	1.38+	<b>1.27+</b>
Share Capital (RM'000)	101,225	101,225	101,225	101,225	<b>117,751#</b>
Share Capital Units (000)	101,225	101,225	101,225	101,225	<b>101,225</b>

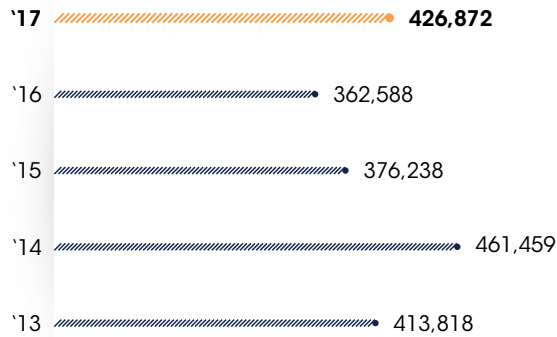
+ Based on the weighted average of 101,225,000 ordinary shares.

# Pursuant to the requirements in the Companies Act 2016, the share premium account of RM16,526,000 has been transferred to the share capital account resulting in the paid up share capital to increase to RM117,751,000.

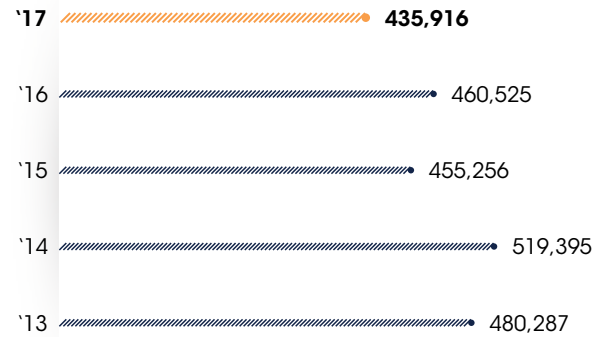


## FIVE YEARS GROUP PERFORMANCE HIGHLIGHT

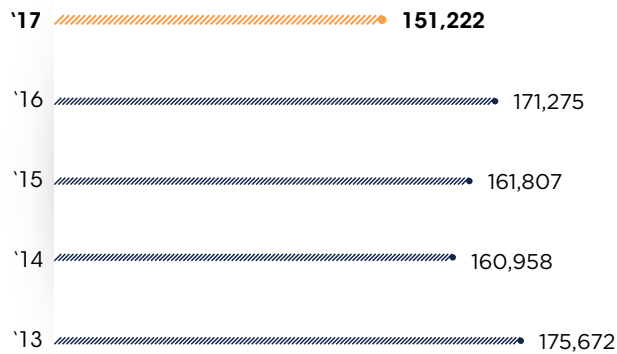
**Revenue  
(RM'000)**



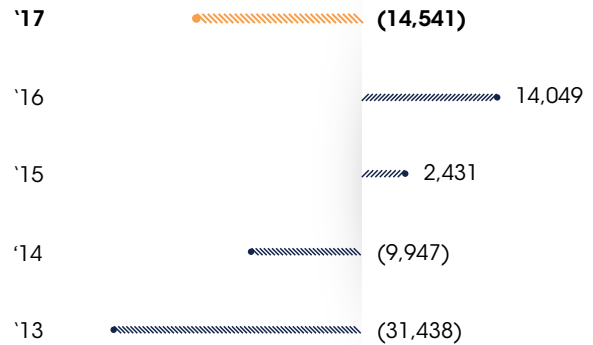
**Total Assets  
(RM'000)**



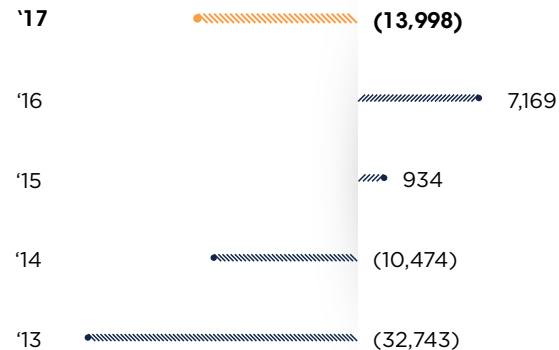
**Shareholders' Fund  
(RM'000)**



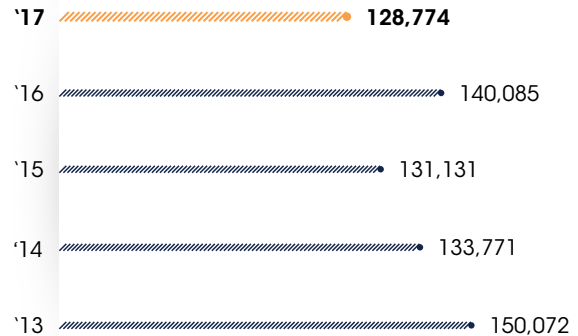
**Profit Before Taxation  
(RM'000)**



**Profit Attributable to Shareholders  
(RM'000)**



**Net Tangible Assets  
(RM'000)**



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### OVERVIEW

HeiTech Padu Berhad today is a global information technology ("IT") systems and technology service provider that specializes in developing and providing information and communication technology ("ICT") systems and infrastructure for public and private sectors. HeiTech has had more than twenty (20) years experience and still stands as one of the nation's major IT players in delivering mission-critical projects for the Malaysian Government since it first commenced its e-Government initiatives. HeiTech offers complete end-to-end, customized solutions for the ever more dynamic business environment. We are proud of our achievements via the integral role that we have played in transforming various industries both locally and globally through our dedicated members of staff who channeled their passion for excellence.

We believe our customers' success depends on sound technology support. Therefore, by offering innovative solutions, understanding customer's needs and quality delivery through our skilled professionals, we have transformed business processes into comprehensive information systems which have enabled to enhance efficiency and productivity. We position ourselves to be part of our customers' transformation journey, thus becoming a trusted partner to both the public and private sectors, encompassing such areas as national security, transportation, financial services, healthcare and defense.



#### SEGMENTAL OVERVIEW

Fundamentally, HeiTech was built from information technology capabilities. The two main offerings; system integration and managed services have been instrumental in transforming our customers and have significantly contributed to our success.

Along the years, HeiTech has also invested in mailing and document processing, parts database for automotive industry and engineering works to expand the revenue based beyond information technology.

In general, HeiTech' business activities is segmented as follows:

##### Core Areas

<b>System Integration</b>	The System Integration business consists of the system application and development (SIAD), trading of hardware and software ("Trading") and maintenance services.
<b>Managed Services</b>	ICT infrastructure solutions that include Managed Data Center Services, Managed Network and Communications Services, Desktop Management Services, Business Continuity Management, Customer Care / Helpdesk Services, ICT Deployment Services.
<b>Other Business Areas</b>	Other business areas include bulk mailing, parts database for automotive industry, engineering works and IT services.
<b>International</b>	Overseas presence includes projects in various countries and investment in Australia and Indonesia.

## MANAGEMENT DISCUSSION AND ANALYSIS

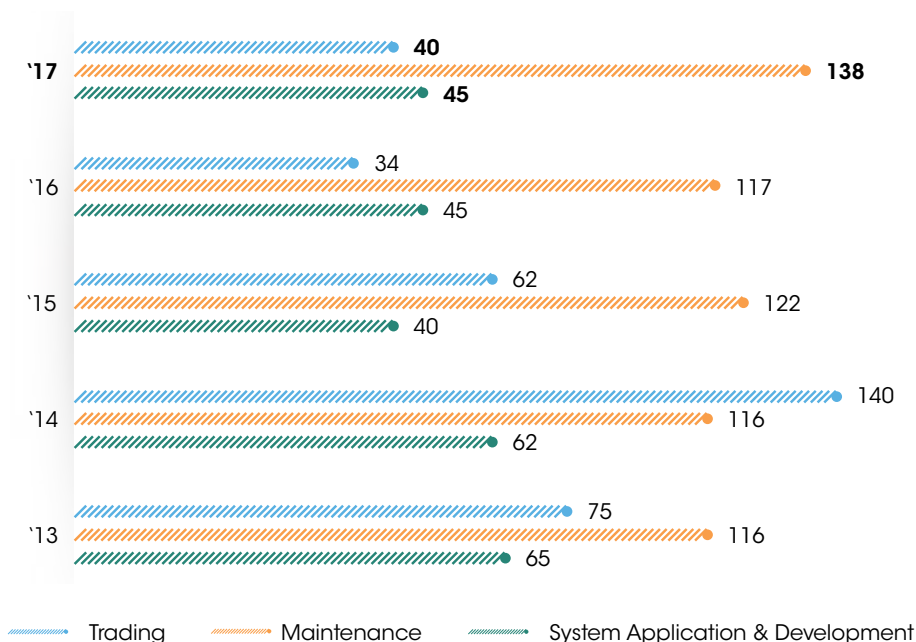
**SYSTEM INTEGRATION****OVERVIEW**

Our notable success came from the 3J projects where the Group made its mark as one of the pioneer system integrator in Malaysia. Arguably, the Group had played significant part in opening the door for other home grown system integrators by establishing market confidence in the local players with our track record. At the same time, this has indirectly created more competitors in the domestic market.

System integration consists of application development, supply of hardware and maintenance services. Over the years, maintenance services has taken the center stage in contributing to the Group's system integration revenue as the number of application development and integration projects has reduced.

Among the significant contracts that were secured during the year are:

- i. Maintenance of MyIMMS system for Jabatan Imigresen Malaysia worth RM42.4 million.
- ii. Development and integration of clinical documentation in Kementerian Kesihatan Malaysia's Patient Management System worth RM10.1 million.

**FINANCIAL REVIEW****System Integration Revenue Analysis (RM'million)****OVERVIEW**

Since the past five years, maintenance services has been integral to the overall revenue recorded for system integration. Revenue from application development and trading were a bit volatile due to different requirements and nature between projects.

**CHALLENGES**

Among the major challenges impacting Malaysian industries were the downsizing of value and quantity of development projects. As an illustration, in Malaysia's 2018 National Budget, only 16.4% (2017: 17.5%) of the total budget was allocated for development expenditure while the remaining 83.6% (2017: 81.73%) was for operating expenditure. This would certainly affect the allocation and priority of national development requirements.

In the IT industry that HeiTech operates, this has translated into stiffer competition and challenges. In order to remain relevant during this challenging period, competitive pricing strategy together with attractive offerings are crucial in differentiating ourselves against the competitors. We have also strived to operate in the most efficient manner to improve efficiency, productivity and results without compromising on the quality of our services and deliverables.



## MANAGEMENT DISCUSSION AND ANALYSIS

### MANAGED SERVICES

#### OVERVIEW

Backed by over 15 years of experience in managed network services and data center services, HeiTech offers innovative and integrated ICT infrastructure solutions based on reliable, secure, cost-effective and customer-driven technology. Our ICT infrastructure solutions include Managed Data Center Services, Managed Network and Communications Services, Desktop Management Services, Business Continuity Management, Customer Care / Helpdesk Services, ICT Deployment Services and Cloud Services. Managed services is the Group's main staple for fixed and recurring revenue. Intrinsicly, this business provides a defensive earning to the Group against the high profile and volatile contribution from System Integration business.

HeiTech owns and manages a Tier-IV ready Data Centre facility located in Bukit Jelutong, Selangor, Malaysia and also offer services to develop, build and manage data centre facilities. The experience of operating Tier-IV ready Data Centre has enabled us to provide world-class service level to our clients. The combination of experience and technical certification such as Information Security Management System (ISO 27001:2013), Quality Management System (ISO 9001:2015) and Service Management System (ISO 20000-1:2011) allows us to provide the high standard of qualities that meets the demand of many organizations in terms of service level, availability, data integrity and security.

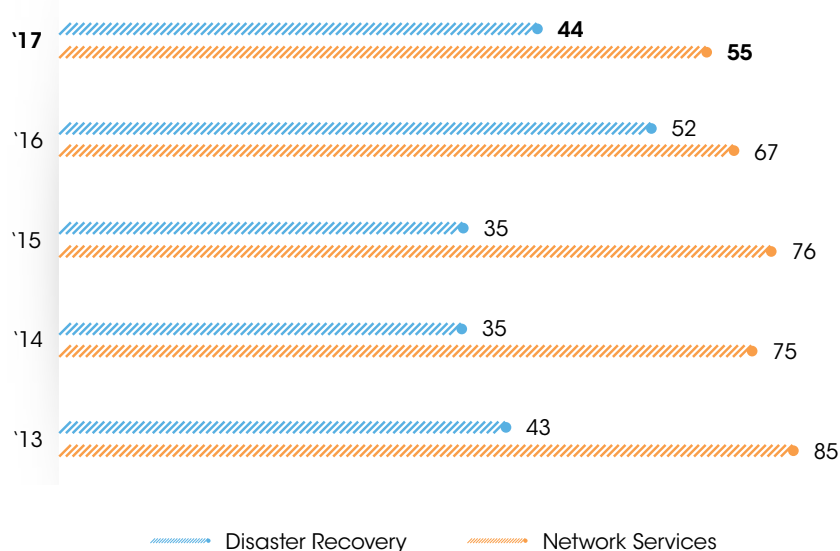
Since 2012, HeiTech has embarked into diversifications strategy going towards the commercial sector specifically in Financial Services Industry and large enterprises, whilst maintaining its focus on end-to-end Managed Services. Moving on from 2017, HeiTech has embraced Digitalisation (DX) as a catalyst towards enhancing customer experience (CX).

HeiTech was awarded by Frost & Sullivan in 2015 as The Managed Services Provider of the Year. Subsequently in 2016, HeiTech was awarded the Asia Pacific CIO Outlook 25 Most Promising Disaster Recovery Service Solutions Providers 2016. We also received award from Hewlett Packard Enterprise being the HPE 100% Achievers Club 2016.

In 2017, we have secured a 4-year contract for security infrastructure services of RM33.3 million for Companies Commission of Malaysia and maintenance of managed wide area network (WAN) infrastructure services contract of RM41.9 million for the largest unit trust house in Malaysia.

#### FINANCIAL OVERVIEW

##### Managed Services Revenue Analysis (RM'million)



The two main revenue sources under managed services are network services and disaster recovery, and facility management services. Some reduction has been recorded over the years following stiff competition faced especially from the telecommunication companies.

## MANAGEMENT DISCUSSION AND ANALYSIS

## CHALLENGES

*Network services*

Being a non-telecommunication outfit providing network services is a great challenge as the playing field to compete against the telecommunication giants is less than levelled, right from the infrastructure set-up, cost advantageous to price competitiveness. Furthermore, network services sector is a highly regulated industry.

Therefore, instead of engaging in an open 'war' against these giants, HeiTech has infused creativity in its product offerings as part of the strategy to stay relevant. This was done via deep understanding on each customer's requirements. As a result, we are still able to retain our major network customers despite the constant threat and competition by the telcos.

*Data centre and disaster recovery services*

Operating a data centre and disaster recovery facility is not a plain sailing operation as the main challenge is to keep up with customers' demands and requirements for a stable and reliable services. This is over and above of ensuring that all the stored data are strictly safeguarded and protected from any threat whatsoever.

As such, various fitness tests have been undertaken and constantly re-assessed to ensure the exposure to any risk is adequately mitigated. This is corroborated by the certifications conferred by the relevant authority, together with accolades of accomplishment as mentioned in the preceding paragraphs.

## OTHER BUSINESS AREAS

## OVERVIEW

As part of the overall strategy to expand its revenue based beyond information technology, the Group has invested in companies within various industries. Among the investees that contributed fairly to the Group results and their respective areas of business are summarized below:

	Company	Area of Business
1	Inter-City MPC Sdn Bhd ("Inter-City")	Mailing and document processing
2	Motordata Research Consortium Sdn Bhd ("MRC")	Parts database for automotive industry
3	Duta Technic Sdn Bhd ("Duta")	Engineering works
4	DAPAT Vista Sdn Bhd ("DAPAT")	Mobile application

	Revenue		
	2017 (RM'000)	2016 (RM'000)	Variance (%)
MRC	7,213	5,673	27%
Inter-city	16,526	18,414	-10%
Duta	80,725	20,673	290%
DAPAT	4,751	5,774	-18%
Total	109,216	50,534	116%

Overall, these companies contributed RM109.2 million or 25.6% to the Group's revenue (2016:RM50.5 million or 13.9%). As these companies served different industries, their results varies in accordance with their industries' threat of competition, customers' requirements and technological factors respectively.

Some reduction was recorded in revenue from Inter-City and DAPAT, mainly due to technological development and prudent spending by the customers. As an example; the rise of electronic statements versus the traditionally printed document; and short messaging system versus mobile applications have changed the customers' business requirements and costs structure.

## MANAGEMENT DISCUSSION AND ANALYSIS

On a positive note, MRC and Duta had posted improvement in their revenue for 2017. MRC has managed to extend its contract in providing the parts database for automotive industry with better terms.

Duta has been regarded as one of the incumbent in the construction of sub-station for energy sector prior to its acquisition by the Group in 2015. Beneficially, the acquisition was a good leverage for Duta to bid for more and higher value contracts which have contributed positively to Duta's revenue.

### CHALLENGES

Rapid changes in technology and prudent spending by customers are the biggest challenges faced by these companies. In order to mitigate this, the companies have to keep abreast with the latest changes in the market and propose the best solutions to our customers in order to accommodate their requirements.

For example, the traditional way of Inter-City's printed statement operation has been transformed into digital format i.e. e-Statement using our own in-house i2s software. DAPAT has ventured into mobile application and development of payment gateways as their additional operating activities. MRC has invested in a new system to improve its response time to customers.

In engineering works, costs and competition are the key challenges that required to be addressed. Thus far, Duta has managed to implement the right strategies in keeping the threat at bay by ensuring good rapport with the customers and good project management. As a result, Duta is now expanding its client-base to include players from the renewable-energy sector.

## INTERNATIONAL BUSINESS

### OVERVIEW

On the global front, other than investments, the Group is currently reducing oversea activities due to unfavourable economic conditions. Nonetheless, the global initiatives still remain within the Group's radar and will be fully resumed once the economic conditions improved.

On the business side, HeiTech had invested in companies in Australia and Indonesia that provide support system for automotive industry and mailing and document processing respectively.

### FINANCIAL OVERVIEW

	Revenue		Variance (%)
	2017 (RM'000)	2016 (RM'000)	
Cinix 1	4,117	4,126	0%
PT Intercity	2,267	2,122	7%
Total	6,384	6,248	2%

International business contributed around RM6.4 million or 1.5% to the Group's revenue in 2017. Despite the relatively minimal contribution from the international business to the Group's overall revenue, we believed that it is significant for HeiTech to keep venturing overseas for branding and presence at international level on a long-term perspective.

### CHALLENGES

In general, most of the challenges from international ventures came from political, government regulations, cultures and currency fluctuations. Each of these challenges is unique to each jurisdiction concerned.

Among the measures taken to minimize these challenges are by way of establishing 'partnership' with local and international companies. This helps to reduce issues like communication, culture and bureaucracy. On top of that, it also enables HeiTech to leverage on the knowledge and expertise possessed by the partners. HeiTech has also hired additional talents including expatriates as part of the strategy.

## MANAGEMENT DISCUSSION AND ANALYSIS

## SUMMARY OF GROUP FINANCIAL PERFORMANCE

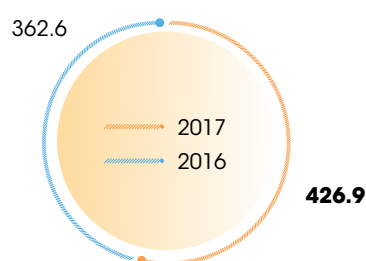
## INCOME STATEMENT ANALYSIS

2017 has been another challenging year for the Group. Factors like prudent spending by the public sector, rising costs of business and increasingly saturated market that led to stiffer competition have placed significant pressure to the Group in meeting the expectations of the stakeholders.

However, despite all the challenges, the Group continues to persevere and is committed to deliver quality services to our faithful customers.

Gracefully, the Group still managed to secure contracts worth RM222.1 million in 2017, of which about RM127.7 million (2016: RM313.0) related to information technology. The remaining RM94.4 million (2016: RM46.5 million) were related to engineering works for the energy sector.

## REVENUE (RM'million)

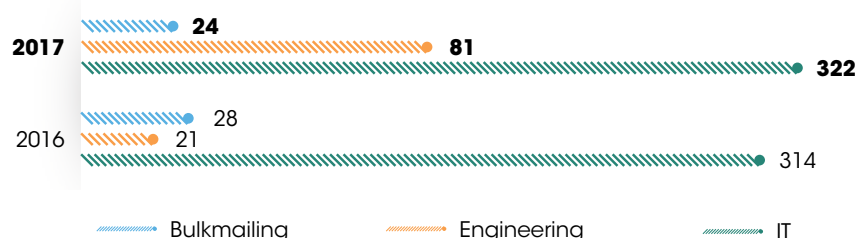


Overall, the Group's revenue in 2017 is RM64.3 million or 18% higher at RM426.9 million as compared to RM362.6 million in 2016.

IT and engineering works segments were the main contributor for the higher revenue in 2017.

## Breakdown of revenue

## Revenue Contribution by Business Segments (RM'million)



The Group's revenue is made up of three segments namely information technology, mailing and document processing and engineering works.

As the Group's core competency still realm in technology based activities, IT segment was still the biggest contributor to the Group's revenue at RM322.0 million or 75% in 2017 (2016: RM314.0 million or 87%). IT segment has had a turbulence year in 2017 especially from the threat of competition in the public sector market segment. Nonetheless, the Group has still managed to maintain its presence in the public sector while striving to expand its revenue from the private sector.

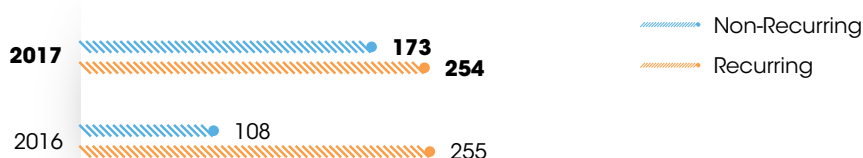
Engineering segment has taken over as the second largest contributor at RM81.0 million or 19.0% of 2017's revenue. This segment had been contributing decent numbers to the Group since its acquisition in the past two years. Notably, the revenue has increased by RM60.1 million or 290.5% from RM20.7 million in 2016 to RM80.7 million in 2017.

Bulkmailing segment has recorded some reduction in 2017, mainly due to threat of competition from e-channel and online software solutions providers.

Detail breakdown of revenue from the above segment is explained in the segmental analysis section.

## Quality of revenue

## Recurring vs Non-Recurring Revenue Contribution (RM'million)



## MANAGEMENT DISCUSSION AND ANALYSIS

The quality of revenue is quantified by its recurring or non-recurring nature over a period of more than one year. In essence, it is an indicator for the ability of the Group to generate a stable return to the shareholders. An example of recurring revenue is maintenance services for existing customers that previously employ our system integration services. Revenue from network services, disaster recovery and facility management services, maintenance services and mailing and document processing services were also regarded as recurring.

System integration were regarded as non-recurring. Even though the contribution can be significant, system integration projects are a few and hard to come by. This was due to stiff competition, cyclical demand and the availability of the off-the-shelf solutions in the market.

In 2017, the Group's recurring revenue stood at RM254.0 million, just slightly lower from RM254.5 million in 2016. Meanwhile, non-recurring revenue has recorded a significant increase from RM108.0 million in 2016 to RM172.9 million in 2017, an improvement of RM64.9 million or 60%.

The Group believes that the revenue level was still healthy and signifies the Group's strength in keeping the customers satisfied while continue its venture for new contracts and revenue streams.

### Operating expenses

	2017	2016	Variance	
	RM'000	RM'000	RM'000	%
Personnel expenses	100,579	91,172	9,407	10%
Project related expenses	270,704	183,851	86,853	47%
Depreciation	11,654	11,392	262	2%
Administration expenses	60,284	65,828	(5,544)	-8%
Finance expenses	6,584	7,565	(981)	-13%
	449,805	359,808	89,997	25%

Overall, HeiTech's total operating expenses has increased by RM90.0 million or 25% from RM359.8 million in 2016 to RM449.8 million in 2017, mainly due to higher personnel and project related expenses.

Personnel expenses accounted for 22.4% (2016: 25.3%) of the Group's total operating expenses. The Group's staff strength stood at 930 at the end of 2017, a reduction from 1,300 in 2016. The increment in personnel expenses albeit the reduction in the headcount was mainly due to the upward revision of their emoluments during the year. The Group believes that resources are assets that required to be continuously invested to ensure quality deliverables to the customers.

Project related expenses accounted for 60.2% of the Group's total operating expenses. The amount has increased from RM183.9 million in 2016 to RM270.7 million in 2017 in tandem with the increment in revenue.

Depreciation stood at RM11.7 million or 2.6% of the Group's total operating expenses in 2017 (2016: RM11.4 million or 3.2%). Out of the amount, about RM3.7 million or 31.6% (2016: RM8.0 million or 70.1%) was the depreciation for the data centre facility in Bukit Jelutong.

Administration costs has reduced by RM5.5 million or 8.4% from RM65.8 in 2016 to RM60.3 million in 2017. The reduction was mainly attributable to the cost control initiatives to avoid unnecessary spending.

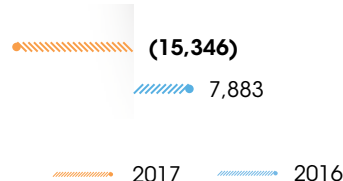
Finance costs decreased by RM1.0 million or 12.9% in 2017. The slight reduction was mainly due to lower utilisation of banking facilities throughout 2017 as the Group mixed its working capital requirements with the internally generated funds.

### Profit before and after tax

#### Profit before Tax (RM'000)



#### Profit after Tax (RM'000)



The Group had fared reasonably well since the previous two financial years. Unfortunately, the good performance had stalled in 2017 when the Group recorded a loss before and after tax of RM14.5 million and RM15.3 million respectively. The decline in the results was attributed to the conclusion of a major contract from the IT segment



## MANAGEMENT DISCUSSION AND ANALYSIS

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.

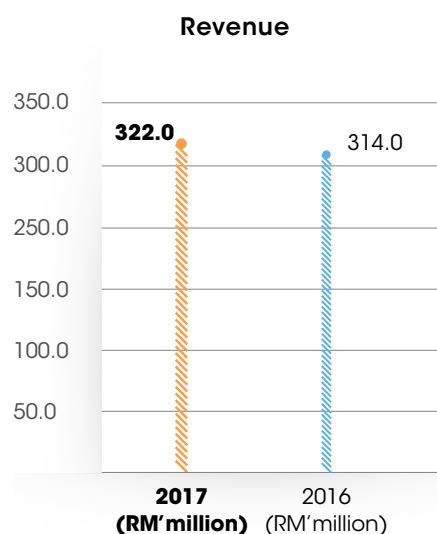
On top of that, the Group has booked in higher write down of intangibles at RM9.2 million in 2017, against RM1.0 million in 2016 following continuous assessment carried out on the recoverability of investment related accounts and intangible assets.

#### FINANCIAL PERFORMANCE OF BUSINESS SEGMENT

The Group defined the performance of its business units via:

1. Product and service offerings which has three reportable operating segments:
  - i. Information technology;
  - ii. Mailing and document processing services; and
  - iii. Engineering works.
2. Geographical location.

#### INFORMATION TECHNOLOGY (IT).



IT has always been the core business of the Group and the customers come from both the public and private sectors. Overall, IT segment contributed RM322.0 million or 75% of the Group's revenue in 2017 against RM314.0 million or 87% in 2016.

Generally, the Group categorized the revenue from this segment in two broad categories, namely:

- System Integration – comprise of system application and development, maintenance services, trading of hardware and software
- Managed Services – comprise of network services and disaster recovery and facility management services

	2017		2016	
	RM'million	% of contribution	RM'million	% of contribution
<i>System integration:</i>				
Maintenance services	138	43%	117	37%
System application and development	45	14%	45	14%
Trading	40	12%	34	11%
Sub total	223	69%	196	62%
<i>Managed services:</i>				
Network services	55	17%	66	21%
Disaster recovery and facility management	44	14%	52	17%
Sub total	99	31%	118	38%
Total segment revenue	322	100%	314	100%

#### System Integration

System integration contributed RM223 million or 69% of the segment's revenue in 2017.

Major portion of the revenue came from maintenance services activities at RM138 million which represents 43% of the Group's revenue. The increase was mainly due to full circle of revenue recognised for contracts secured in 2016.

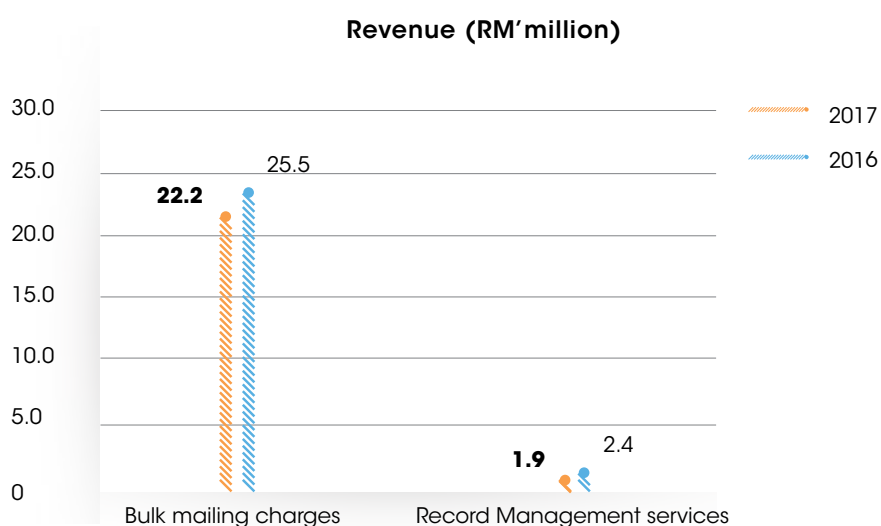
System application development contributed RM45 million or 14% of the segment's revenue while trading activities contributed 12% to the segment's revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Managed Services

Managed services sector has recorded some reduction in the revenue from RM118 million in 2016 to RM99 million in 2017. The reduction was mainly due to conclusion of some contracts during the year.

### MAILING AND DOCUMENT PROCESSING SERVICES



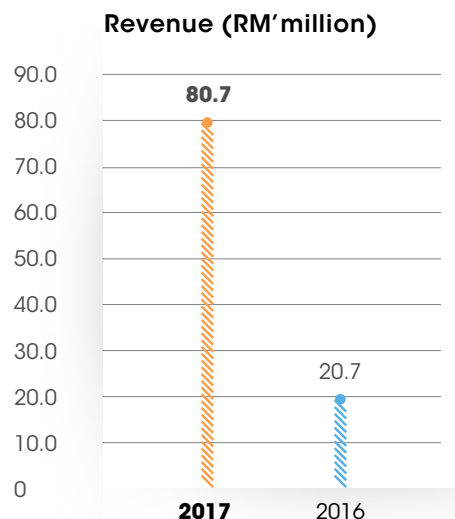
Mailing and document processing services segment contributed RM24.2 million or 6% of the Group's revenue (2016: RM27.9 million or 8%). The two main business operations under this segment are mail processing services and record management services.

Under mail processing activities, the segment offers digital data printing and automated enveloping where it offers solution for high volume and secured electronic document delivery.

Record management activities offer services in relation to document scanning and imaging, storage and archiving and mobile document destruction services.

The reduction the revenue was mainly due to competition from e-channel and other technology solution providers within the industry that the segment operated.

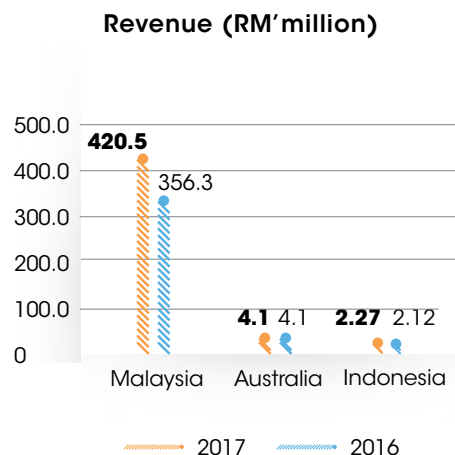
### ENGINEERING WORKS



This segment is principally involved in the provision of engineering, procurement, construction and commissioning services and currently focusing its business activities on construction of sub-stations for the energy industry.

This segment recorded higher revenue in 2017 at RM80.7 million against RM20.7 in 2016 after it secured additional contracts in 2017, including few contracts within the solar-based energy sector.

### GEOGRAPHICAL SEGMENT



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's geographical segment is reported through companies operated in Malaysia, Australia and Indonesia. At RM420.5 million (2016: RM356.3 million), Malaysia is the biggest contributor the Group's results followed by Australia and Indonesia at RM4.1 million (2016: RM4.1 million) and RM2.2 million (2016: RM2.1 million) respectively.

The information technology market in Malaysia is currently filled with players from all sizes. Hence, it has been a real challenge for the Group in maintaining a steady level of income. Nevertheless, the Group was still able to record a respectable result for 2017.

The subsidiary in Australia involved in providing the support software services for automotive repair industry while the Indonesian subsidiary involved in document processing and mailing activities.

## FINANCIAL POSITION ANALYSIS

The tables below show the assets employed, liquidity ratios and working capital of the Group as at the year end of 2017 and 2016.

## ASSET EMPLOYED

	2017	2016
Total assets (RM'million)	<b>435.92</b>	460.53
Fixed assets (RM'million)	<b>103.47</b>	131.16
Net current assets (RM'million)	<b>73.85</b>	80.90
Shareholders' fund (RM'million)	<b>151.22</b>	171.28
Share capital (RM'million)	<b>117.75</b>	101.23
Net tangible assets per share (RM)	<b>1.27</b>	1.38

Overall, the table above indicates that the Group is still in good condition despite some reduction following the adverse financial performance in 2017.

Total assets of the Group reduced by RM24.6 million or 5.3% to RM435.9 million in 2017. The decrease is mainly due to lower intangible assets and receivables balances at the end of 2017. Intangible assets stood at RM22.4 million in 2017 as opposed to RM31.2 million in 2016. The reduction is due to amortization and impairment of RM1.0 million and RM9.2 million respectively. Receivables balance is also lower at RM236.0 million in 2017 as opposed to RM245.7 million in 2016.

The reduction in the fixed assets is mainly due to depreciation. Capital expenditure incurred in 2017 is mainly related to peripherals for operational purposes and some minor improvement to the infrastructure. Currently, the Group's infrastructure is still capable and sufficient to cater for contracts and jobs in hand.

The reduction in net current assets is mainly due to timing difference in the collection from receivables and settlement of current liabilities. Current assets in 2017 stood at RM332.4 million against current liabilities of RM258.6 million, a net of RM73.8 million. Meanwhile, in 2016, current assets stood at RM329.4 million against current liabilities of RM248.5 million in 2016, a net of RM80.9 million.

The shareholders' fund has contracted from RM171.3 million in 2016 to RM151.2 million in 2017 following the loss posted by the Group. Consequently, this has translated into lower net tangible assets per share of RM1.27 in 2017 against RM1.38 in 2016.

Liquidity	2017	2016
Quick ratio	<b>1.28</b>	1.32
Current ratio	<b>1.29</b>	1.33

As demonstrated by the table above, the Group's liquidity is still positive since the quick and current ratios are still in favourable condition despite a slight reduction in the quantum. The Group still possesses adequate current assets to cover for its current liabilities.

## LIABILITIES AND WORKING CAPITAL

	2017	2016
Payables (RM'million)	<b>118.57</b>	107.48
Borrowings (RM'million)	<b>150.59</b>	170.19
Debt/Equity Ratio (%)	<b>1.00</b>	0.99
Gearing Ratio (%)	<b>54%</b>	53%

The Group's payables recorded some increment from RM107.5 million in 2016 to RM118.6 million in 2017. The Group always strived to keep the payables at reasonable level.

## MANAGEMENT DISCUSSION AND ANALYSIS

Most of the times, the Group's business operations required for financial commitments to be significantly incurred upfront especially when it relate to hardware and software elements. As such, it is imperative for the Group to have readily available credit facilities to cater for these requirements. The credit facilities of the Group are sufficient at this juncture.

The Group's debt to equity ratio for 2017 is still within the acceptable limit. Even though the optimal debt to equity ratio varies widely by industry, but the general consensus is that it should not be above 2.

The gearing ratio is slightly higher at 54% in 2017 against 53% in 2016. The Group's gearing ratio is still in favourable position as the financial obligations are still contained under the equity limit.

### FUTURE OUTLOOK

#### 2018 OUTLOOK

In 2016, the Government has launched the National Transformation 50 ("TN50") aiming to embark Malaysia on a new 30-year transformation plan, which will set a new vision for the nation. Through TN50, Malaysia has set to be among the top countries in the world's stages in the economy, people's welfare and innovation.

As a Bumiputera company and the trusted IT service provider to the Government, HeiTech is fully committed to assist the Government in realizing their aspiration to transform Malaysia into a nation of caliber.

#### MOVING FORWARD

Today's technology is changing rapidly where the convergence of physical products, services, devices and business models with digital environments has revolutionized how organisations behave. The starting point has to be the internet of things, which is essentially a connected network of physical objects embedded with electronics, sensors and the software to collect and share data. Consequently, government agencies and private organisations would need to reinvent themselves into digital-ready environment in keeping up with these changes.

As a company that has been the incumbent in the system integration, application development and managed services in Malaysia for the past 20 years, we believe that we have the strength and core capabilities in riding this wave of changes. We had already embarked in repositioning ourselves as a "technology partner" as opposed to the traditional "IT contractor" that we have been known in the previous years. Consequently, HeiTech has been appointed as the technology partner by Permodalan Nasional Berhad for its Majlis Amanah Saham events in 2017 and 2018.

We have positioned certain companies within the Group as the innovation arms to ensure our effort in creating affirmative customers experience on these digital platforms are achieved. On top of that, we are also working with strategic partners to accelerate our progress.

We also understand that a digitally-savvy team of resources is critical to be a successful technology partner to our customers. We have continuously invested in our people for professional certifications, re-skilling and attending seminars and conferences in keeping abreast with the latest technologies. In 2017, HeiTech was accredited with the certification on Test Maturity Model Integration ("TMMi") Level 3 by the Malaysian Software Testing Board. This newly acquired TMMi certification complements our existing Capability Maturity Model Integration ("CMMI") framework that has been adopted earlier.

We will also continue to play our role in growing and nurturing young talents in meeting the TN50's aspiration of grooming more IT literate people for the future of the ICT industry in Malaysia. Our continuous initiatives include engaging the Skim Latihan 1Malaysia ("SL1M") graduates, collaboration with universities and on-the-field training for internship students.

We are optimistic about the future and will continue to stand tall as a reputable and reliable IT service provider by leveraging on our core competencies and merit.





## SIGNIFICANT EVENTS 2017

**APR 2017**

**Minggu Saham Amanah Malaysia 2017**



**MAY 2017**

**HeiTech Badminton Tournament**



**JUNE 2017**

**Program Memasak Bubur Lambuk**



**JUNE 2017**

**22<sup>nd</sup> Annual General Meeting**



**JUNE 2017**

**Program Jalinan Kasih Aidilfitri**



**JUL 2017**

**Raya 1HeiTech**



**JUL 2017**

**HeiTech Raya Open House with Customer**



**AUG 2017**

**HeiTech in Digital Langkawi**



**AUG 2017**

**HeiTech PRECISE Launch**



**AUG 2017**

**Academic Excellent Camp**



**AUG 2017**

**HR Open Day**



**AUG 2017**

**School Holiday Camp**





## SIGNIFICANT EVENTS 2017

**SEPT 2017**

**Majlis Pelancaran Sistem Biometrik  
Pemeriksaan Kesihatan Pekerja Asing  
(FOMEMA)**



**SEPT 2017**

**Amazing Race**



**SEPT 2017**

**MOU Signing Ceremony Between JPJ &  
HeiTech Padu**



**SEPT 2017**

**JIM Contract Performance Review**



**OCT 2017**

**HeiTech in Cyber Security Malaysia  
Awards Conference and Exhibition 2017**



**OCT 2017**

**Blood Donation Drive 2017**



**NOV 2017**

**PNB Visit to HeiTech Data Center**



**NOV 2017**

**HMS TechXchange Bandung**



**DEC 2017**

**HeiTech Futsal Tournament**



**JAN 2018**

**Kick-Off 2018**



**FEB 2018**

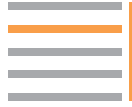
**Business Visit from Tunisia Delegates**



**MAR 2018**

**HeiTech Metamorphosis Dinner**





## SUSTAINABILITY REPORT

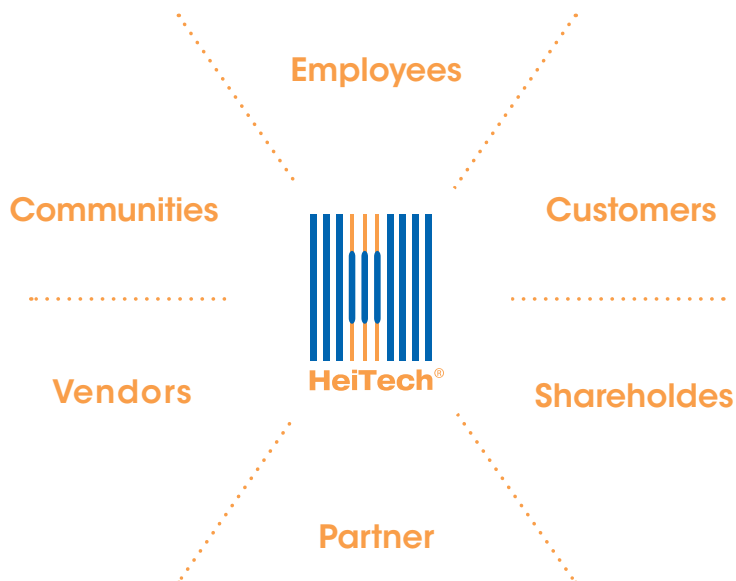
### INTRODUCTION

Sustainability is about striking a balance between the community, environment and economic factors within the ecosystem that we live in. The way the ecosystem is maintained transcends into the way we conduct our business and the decision we make. At HeiTech, we believe that by adopting sustainable principles will guide us through the journey of making the world a better place to live in while maintaining profitability of the Company.

We recognised and are committed to our sustainability, which form an important part of our business culture. We believe that the long-term success of our business depends on the health and prosperity of the communities in which we operate. For the year under review, we continued to focus and align our sustainability efforts with special emphasis on creating economic, environment and social impact for our long-term sustainable growth.

Dimensions	Highlights	
<b>Economic Impact</b>	<ol style="list-style-type: none"> <li>1. Managing the supply chain</li> <li>2. Adherence to corporate governance</li> <li>3. International standard project delivery</li> <li>4. Building IT literate generation</li> </ol>	
<b>Environmental Impact</b>	<ol style="list-style-type: none"> <li>1. Energy savings initiative</li> <li>2. Operational efficiency</li> </ol>	
<b>Social Impact</b>	<ol style="list-style-type: none"> <li>1. Talent engagement</li> <li>2. Shareholder engagement</li> <li>3. Enhanced customer experience</li> <li>4. Giving back to the communities</li> </ol>	

### OVERVIEW



At HeiTech, stakeholder engagement has always been our top priority as it contributes to a successful project delivery, businesses and value creation for our sustainable growth.

For more than two decades, we have touched the lives of thousands of people locally and regionally, from employees, customers, partners, shareholders, vendors and community. By understanding expectations and responding to their concerns, it allows HeiTech to nurture stakeholders' trust in and with us.

## SUSTAINABILITY REPORT

Below are our key stakeholder groups together with an overview of our engagement activities.

Stakeholder	Engagement Programs
Employees	<ul style="list-style-type: none"> <li>Employee satisfaction survey</li> <li>Dialogue with employees – Town Hall</li> <li>Internal newsletter</li> <li>Employee engagement programs</li> <li>Sports Club</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Customer satisfaction survey</li> <li>24 hour customer support</li> <li>Technology update session</li> <li>Customer engagement programs</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Annual report</li> <li>Annual General Meeting</li> <li>Investor Relation portal</li> </ul>
Partners	<ul style="list-style-type: none"> <li>Partner engagement program</li> <li>Technology updates session</li> </ul>
Vendor	<ul style="list-style-type: none"> <li>Vendor satisfaction survey</li> </ul>
Community	<ul style="list-style-type: none"> <li>Community engagement through social activities with HeiTech Cares volunteers</li> <li>Visits by University students</li> </ul>





## SUSTAINABILITY REPORT

## ECONOMIC IMPACT

## MANAGING THE SUPPLY CHAIN

Being one of the leading ICT company in Malaysia, the quality and performance of our vendors and suppliers are vital to us. Therefore, our vendors will have to go through a strict selection process to ensure their capability and integrity are in line with our values and principles.

No. of Vendor	Category
293	Bumiputras
456	Non-Bumi
26	Foreign Companies
5	Principal of the product

The selection of vendors are based on merit and capabilities. Therefore, our list of vendors varies from local to foreign, Bumiputra to non-Bumiputra companies.

We are aware of the importance of early engagement with our principals and partners. This early engagement practice has been implemented within the organization and it has benefitted both parties in various angles. Our partners have been loyal to us and will be working together with us from the initial stage of influencing the customers until closure of the business.

Another advantage of having excellent partnership is we are able to establish the "Center of Excellence" with our partners. We are investing in our people to be equipped with certifications on certain technical skillsets to support the multiple products that we are pushing to the market. This can only be done with the support of the partners and principals.

In January 2017, we have organized Partner Appreciation Night to acknowledge the commitment and support of our principals, partners and vendors.

## ADHERENCE TO CORPORATE GOVERNANCE

Being a Public Listed Company requires HeiTech to adhere to corporate governance guidelines, set by Bursa Malaysia Berhad, Ministry of Finance and Securities Commission Malaysia. We at HeiTech takes compliance very seriously and always ensure that we do not violate any law and regulations intentionally.

In ensuring that we adhere to the regulations, we are maintaining effective control structure for the proper conduct of business operations. This includes;

- Audit Committee;
- Risk Management Committee;
- Nomination and Remuneration Committee;
- Employee Share Option Scheme Committee; and
- Voluntary Separation Scheme Committee.

INTERNATIONAL STANDARD  
PROJECT DELIVERY

Our IT projects adopt structured methodologies which includes HeiTech's Project Management Information System ("PROMISE") and Application Development Information System ("ADVISE"). It provides guidance for improving the organization's processes and ability to manage the development, acquisition and maintenance of products and services. Process compliance assessment is continuously being carried out on a monthly basis to assess the compliance level and necessary action(s) for improvement.

The combination of experience and technical certification such as Information Security Management System (ISO27001:2013), Quality Management System (ISO9001:2015) and Service Management System (ISO20000-1:2011) allows us to provide the high standard of qualities that meets the demand of many organisations in terms of service level, availability, data integrity and security.

## SUSTAINABILITY REPORT

With the adoption of the structured methodologies, we successfully delivered and will continue delivering projects especially the mission-critical projects for the benefit of the nation.

### BUILDING IT LITERATE GENERATION

As a leading provider in ICT services, software solutions and services for commercial applications for multiple industries, HeiTech is at the forefront of efforts to develop human capital in various skillsets.

#### **Collaboration with IBM and Universiti Malaysia Pahang (UMP)**

One of the skillsets that we are focusing is in the area of mainframe technology. We are collaborating with one of our main partners in the area of mainframe namely IBM. We have successfully established a Center of Excellence in mainframe area for Universiti Malaysia Pahang (UMP), a competency-based technical university that specializes in the fields of engineering and technology. HeiTech, University Malaysia Pahang (UMP) and IBM have collaborated and executed a Memorandum of Understanding since 2010 to engage in the "IBM-UMP-HTP System z Academic Initiative" (zAI) for the establishment and development of an elective curriculum leading to the nurturing of experts and specialized human resources on IBM system z.

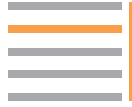
HeiTech provides all the IBM Mainframe System z Infrastructures and Services for the UMP students to test on the actual mainframe infrastructure located at HeiTech Village 2 (HTV2) Data Center. Selected UMP student will have the opportunity to remotely access the z-Systems infrastructure at HTV2 Data Center. As part of the z-OS Course



Contents, students will have the actual feel and experience in operating and managing the z-OS Systems including other mainframes infrastructure technology such as CICS, DB2 as well as Enterprise Storage. This will give them the experience of a truly Mainframe Technology in real data center environment.

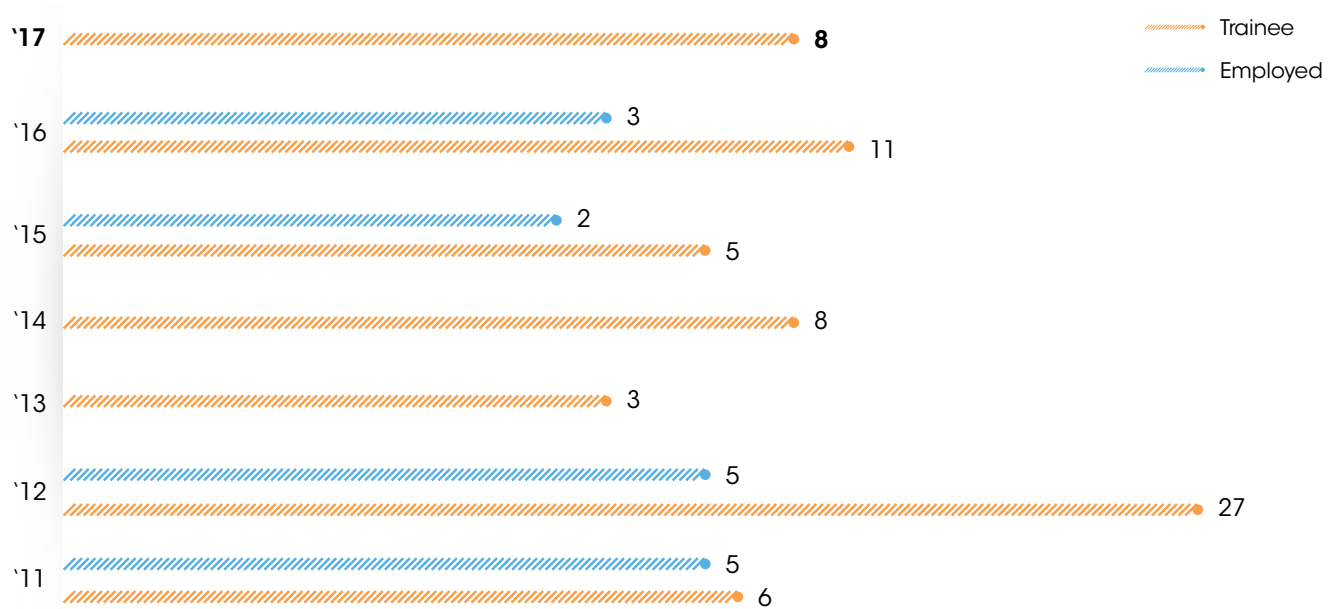
As part of zAI program, HeiTech and IBM will have an annual session with UMP students to be held at UMP campus for us to conduct Industrial Talk and Knowledge Sharing on the latest ICT Technology Offerings. It also focuses on mainframe services with an insight on career opportunity with regards to the related courses. This will be followed with interview sessions for the students to have opportunity to conduct their Internship Program at HeiTech and if successful, to become a Technical Engineer once they graduated.





## SUSTAINABILITY REPORT

The graph below illustrate the number of UMP students to be employed and trained under the "IBM-UMP-HTP System z Academic Initiative".



#### Skim Latihan 1Malaysia (SL1M) program

Skim Latihan 1Malaysia (SL1M) program was launched on 1<sup>st</sup> June 2011. It is a training program, aims to help the young graduates who are still unemployed to enhance their marketability with appropriate skills, knowledge and working experiences. This will eventually increase the possibility of advancing their career in the future.

HeiTech fully support this initiative by hiring four (4) SL1M trainees from Britay Consulting under Khazanah SL1M which commenced from November 2017 to May 2018. The duration for the overall on-the-job training is 7 months. The 4 trainees were assigned to 2 wholly owned subsidiaries of HeiTech Padu Berhad which are PSG Data Sdn Bhd (3) and HeiTech Managed Services Sdn Bhd (1).

So far, from all the four (4) trainees, 2 have been absorbed as HeiTech staff, while others are still continuing the On-The-Job training.

## SUSTAINABILITY REPORT

### ENVIRONMENTAL IMPACT

For years now, we have managed to maintain and managed our resources efficiently through multiple initiatives. As an ICT company, we capitalized our innovative solutions and technology to optimise the computing environments in our business operations to tackle problems associated with climate change and biodiversity. We are committed in saving our environment via our ICT initiatives and effort that spawned from our deep knowledge in the field.

#### ENERGY SAVING

Backed by over 20 years of experience in managed network services and data center services, HeiTech offers innovative and integrated ICT infrastructure solutions based on reliable, secure, cost-effective and customer-driven technology.

For our Managed Data Center Services, infrastructure cost represents a substantial portion of total operating cost. Hence, optimization of energy related cost shall result to greater operational efficiency whilst improving profitability to HeiTech.

#### *Energy Consumption in our Data Center*

We own and manage a Tier-IV ready Data Centre (DC) facility located in Bukit Jelutong, Selangor, Malaysia. We also offer services to design, build and manage data centre facilities. The experience of operating Tier-IV ready Data Centre has enabled us to provide world-class service level to our clients. The Data Center in HeiTech Village 2 (HTV 2) is designed and maintained in accordance to Uptime Institute Standards on mechanical and electrical (M&E) component and Tier IV ready under the Telecommunication Industry Association-Telecommunications Infrastructure Standards for Data Centers (TIA942) on 4 components i.e. Mechanical (cooling system), Electrical (based on Uptime), Architectural (civil & structures) and Network (connectivity for WAN & LAN).

Our DC cooling system needs to be enhanced for efficiency purposes. In 2017, we are progressively replaced 14 units of Computer Room Air Conditioning unit (CRAC) to ensure efficient use of energy. With this initiative, we expect to reduce the consumption of electricity for the DC cooling by 20%.

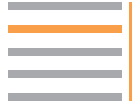
#### *Node Optimisation of our Network*

Cost reduction and efficiency help an organization re-invest their resources and save funds into achieving higher results, profits or competitiveness. Efficiency/ savings can be achieved by improving utilization, processes, or behavior associated with resource usage.

HeiTech has significantly create greater efficiency in our network by the consolidation of our network nodes. Starting from 2015, we have consolidated 6 of our network nodes, followed by the consolidation of 7 nodes in 2016 and 2 more nodes in 2017. In total, we have optimized the number of nodes from 24 nodes into 9 major nodes by 2017.

The objective of the exercise is to improve our services to the customers whilst at the same time reducing cost of operations. All customers' circuits involved in node optimisation activities were relocated/upgraded to Core Nodes on Metro E connectivity from leased lines.

With this initiative, we have managed to reduce operational cost by 10% on an annual basis since 2015. As a result, HeiTech has saved approximately RM8 mill for a span of 3 years. The node closure exercise also enabled us to optimize the node operation, eliminate inefficient node investment and most importantly, is for energy saving. It allows for better capacity and growth planning for specific nodes, creating an energy efficient footprint instead of performing upgrade to all nodes and affecting the environment.



## SUSTAINABILITY REPORT

### OPERATIONAL EFFICIENCY

#### *Paperless Meeting*

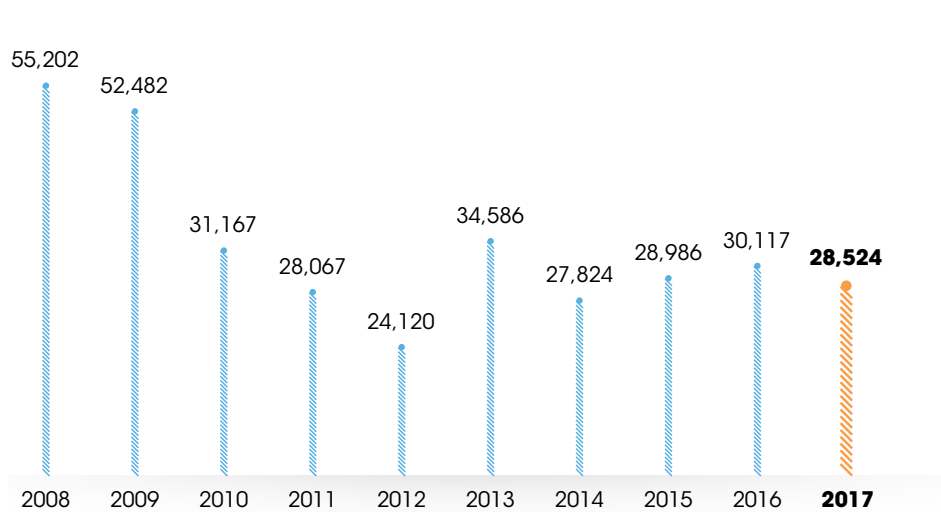
In HeiTech, we have implemented the initiatives to spur continuous initiatives in saving our most common basic needs.

For us, change starts at the Boardroom. We have started to implement paperless board papers in most of our Board of Directors meetings since 2014. We believe that a small step in the right direction is imperative and we must lead by example. Adoption of cloud base technology in trend with the current information technology environment proved that we have embraced it long before the market has.

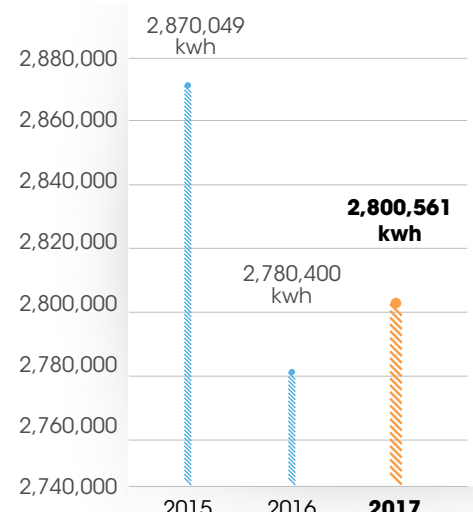
#### *Water and Electricity Consumption*

We have steadily reduced and maintained our water and electrical consumption since 2009 and maintained the usage at a lower consumption rate from 2014 onwards.

**Water Consumption from 2008-2017 (Unit m3)**



**Electricity Consumption from 2015-2017 (Bulk meter)**



#### *Proper waste disposal*

Proper document destruction is a very important component of doing business. As we are dealing with confidential information, proper documents disposal is very vital to ensure private and sensitive information are being protected.

In HeiTech, we disposed our documents via mobile shredding services, provided by one of our subsidiary companies, Inter-City MPC Sdn Bhd. Beside protecting the data, we are also encouraging proper document disposal for the papers to be recycled.

## SUSTAINABILITY REPORT

### SOCIAL IMPACT

At HeiTech, we believe that corporate and organisational success is justified and truly honoured when a holistic ecosystem is built around the aspirations of the Company and the people, customers, community and vendors, as well as all other stakeholders such as investors, and the larger community that we serve.

#### TALENT ENGAGEMENT

Our employees are our valuable asset. In striving to be the 'Employer of Choice', we endeavour to build a sustainable working culture by offering employees a combination of compelling propositions from work-life-balance, create diversity environment, create a clear career path, and safe working environment.

HeiTech realized that social starts with our own in-house talent thus we have traditionally created multiple programs that promote social engagement between the staff. We strongly believe that a happy worker will lead to a greater productivity.

HeiTech is committed to providing our employees with a stable and innovative work environment where there is equal opportunity in learning and personal growth. We are in the strategy to maximize the value of human capital to align with the company objectives, values, strategies and the needs of all stakeholders via the following initiatives:

- Ensuring a diverse workforce in a safe environment by maintaining compliance with law of the land and bye laws.
- Providing training and development in area of technical and soft skills that meet the IT industry's standards and best practices.
- Contributing to the Government programme of "Skim Latihan 1 Malaysia" and offered most of the talents as our full-time staff after completion of training period.
- Retaining our valued employees with multiple perks, remuneration, interpersonal and career development training.

#### Work Life Balance

Being an employee in the ICT industry, especially in delivering mission critical system has exposed our employees to be in a very stress condition. We acknowledged that stress can lead to poor health condition, thus reducing the productivity and efficiency. We advocate a good work-life balance amongst the employees in order to improve morale and productivity.

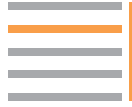
Activities conducted in 2017 includes motivational and religious talks, family programmes as well as sports and recreational programmes. Our flagship programme, HeiTech Cares is also part of the initiative that aimed to promote work-life balance and spirit of volunteerism amongst our employees.

Among the activities and facilities that we provide to the staff includes:

- Zumba class every week for the staff to have fun while getting exercise and burning calories;
- Jamming studio as social gathering and communal practice session;
- HR4U Wellness where free basic medical check-up and mammogram provided to all staff;
- Sports events organized by Kelab Kakitangan HeiTech including futsal tournament, badminton tournament, bowling tournament and HeiTech's Sports Day.
- 'Kelas Mengaji' and 'Ceramah Agama' on weekly basis for all staff

#### Career Development Program

Employee turnover is expensive. Replacing an employee who quits, costs on average, 21% of their annual pay. While it is tempting to dismiss turnover as a fact of life in today's fast-moving job market, new research shows otherwise. Many reasons employees jump ship are surprisingly simple, and business leaders who do not ask why workers want to go may be unnecessarily losing people who are pricey to replace.



## SUSTAINABILITY REPORT

As the market for talent continues to intensify it will become increasingly difficult to attract and retain the best employees in HeiTech. We are working to continuously improve our talent and recruitment programmes, to ensure we have the workplace capability we require to deliver our vision and mission. We also embraced new opportunities to lift our collective performance and talent standards for existing employees.

On top of recognition and reward system for staff retention, skills-building is also important to create a clear career path for employees. Skills-building programs offered to upskill and reskill talent are benchmarked against international standards to equip the workforce with the right knowledge, skills and attitudes to increase talent employability and thrive in a globalised economy. HeiTech comprises of 80% technical employees and 20% support staff therefore it is crucial to keep the technical employees abreast with the latest technologies, skills and certifications required for the business. The summary for certification and training attended under year review are as follows;

- a. Certified Tester Foundation Level (CTFL)
- b. Certified Tester Advance Level – Test Manager (CTAL)
- c. Certified Data Science Specialist (CDSS)
- d. Cloudera Data Analyst
- e. Certified Cyber Defender Associate (CCDA)
- f. ComTIA Cloud +

However, our focus on technical competencies has not overshadowed the emphasis we place on improving the ability of frontline employees to enhance the customer experience. During the year, almost half of employees received training in various programmes to enhance their technical skills, customer management and communication skills, as well as supervisory skills - all geared towards the provision of a better customer experience.

Beyond academic, we also provide soft-skills training to the employees as value-added services to the programs offered. Effective verbal and written communication, preparations for job interviews, time management and grooming are some of the elements cascaded to the participants for a balanced, well-rounded education.

This can be seen through programs we developed and customized for employees covering the scope for non-executive, executive, middle management and top management. One of the programs for non-executive and executive level is called Project 615 and the objectives are as follows:

- To improve and ensure readiness of our employees to the next ladder of their career growth.
- To learn and manage others in the perspective of communication and interaction between management, supervisors and colleague.
- To promote effective teamwork and to encourage employee engagement in performing their duties.

In 2017, 28 staff were involved and graduated from the Project 615.

As for the middle management, objectives of the program are more towards developing leaders and is covered in program module called Management Development Program (MDP) which are among others:

- To enhance leadership quality, delegation, empowerment and coaching.
- To improve business acumen skills of the middle management.
- To ensure readiness of employees to the next ladder of their career growth.
- To learn and manage ourselves as well as manage others in the perspective of communication and interaction between management, supervisors and colleague.
- To assist staff towards a healthy and to promote better productivity.

28 staff were involved in the Management Development Program in 2017.

We are equipping our people especially the top management with the tools and development required to be inspiring leaders, to foster a global mindset and to deliver increasingly responsive, personalised customer service.

## SUSTAINABILITY REPORT

### Safe working environment

In HeiTech, we acknowledged that we are responsible to provide a safe working environment without risk to their physical and psychological health and welfare. Likewise, we expect our employees are obliged to: comply with any legislative requirements and organisational policies and procedures; work in accordance with agreed safe work practices; and use all means provided to protect their health and safety.

Our Data Center, HeiTech Village 2 (HTV2) has been gazetted as 'Kawasan Larangan' and 'Tempat Larangan' under the LAWS OF MALAYSIA Act 298 PROTECTED AREAS AND PROTECTED PLACES ACT 1959. This is very important as this will boost the confidence of our customers as well as employees.

In our efforts to provide conducive and safe working environments for our employees, we provided training and awareness programmes on occupational health and safety related matters; hazard identification, fire drills and first aid. The formulation and enforcement of HeiTech's established Occupational Health and Safety (OHS) Policy ensures all employees are aware of their roles and responsibilities and strictly adhere to this policy in their work environment.

Category	2017	2016	2015
<b>Trainings</b>			
OSH Meeting	3	3	4
OSH Circular	4	6	5
Safety Knowledge Sharing / Awareness Talk	3	4	3

Nonetheless, we acknowledged that most common injuries in the ICT industry are slip disc and carpal tunnel due to static position at a long time. Therefore, we have taken pre-caution to encourage staff to perform light exercise in avoiding injuries to happen. The statistic for the 2 mentioned injuries are as follows;

	Average Total Staff	Carpal Tunnel	%	Slipped Disk	%
2017	902	3	0.33%	4	0.44%
2016	897	1	0.11%	4	0.45%
2015	932	2	0.21%	7	0.75%
Total		4	1%	15	

In protecting the well-being of the employees, HeiTech has also provided policies to protect the employees from internal and external harassment. This includes Sexual Harassment Policy and Social Media Policy.

### Enhance two-way communication

Ensuring effective communication with employees has always been our top priority as we believe that engaging employees at every level of the business results to higher performance and increase employee's loyalty. For the year under review, we have organised various activities to enhance two-way communications with employees which includes corporate town hall session, appraisal and career development programmes, family day, annual dinner, sports day, internal newsletter, corporate website, and corporate e-mail blast.

### Diversity Environment

The staff composition in HeiTech varies from religious and political beliefs, gender, ethnicity, education, socio-economic background, sexual orientation and geographic location. We have acknowledged that a balance composition of staff is imperative to maximize productivity impact. We are also looking at empowering our young staff and prepare them for future leadership through exposing them with more project engagement, active role and experience. This effort will ensure that the company will not be lack of talent and promote leadership continuity.



## SUSTAINABILITY REPORT

## Demographic Info by Age, Gender &amp; Ethnic

	2017	2016	2015
<b>Age Group</b>			
20-29	88	65	226
30-39	304	298	321
40-49	278	311	257
50-59	207	192	102
≥60	35	31	2
<b>Gender</b>			
Female	343	331	329
Male	569	566	579
<b>Ethnic</b>			
Chinese	12	12	10
Indian	7	10	11
Malay	878	863	872
Others Bumiputera Ethnic	8	8	11
Sabah Native	3	3	3
Pakistani	1	1	
Turkmenian			1
Sarawak Native	2		
Iranian	1		
<b>Turnover Rate</b>			
<b>By Gender</b>			
Female	5.53%	4.88%	4.94%
Male	8.84%	9.20%	8.91%
<b>By Age Group</b>			
20-29	6.30%	4.54%	4.29%
30-39	3.76%	5.65%	5.69%
40-49	3.10%	2.22%	2.47%
50-59	1.22%	1.55%	1.29%
≥ 60	0.00%	0.11%	0.11%

By Gender	2017	2016	2015
<b>Top Management</b>			
Male	2	2	7
Female	1	1	1
<b>Board Of Directors</b>			
Male	6	7	7
Female	2	1	1

Although the composition of our Top Management and Board of Directors are dominated by male, in HeiTech we do not practice gender discrimination. All positions, salary and benefits are based on merits.

## SHAREHOLDER ENGAGEMENT

We have maintained an open communication channel with our shareholders within the limitation of the law. Bursa Malaysia has strict requirement on the matter and we have complied with every requirement.

Avenues for communication with shareholders are from Annual General Meeting, annual report and Bursa announcement. In 2017, we have increased our communications to our stakeholders for them to make informed decisions and notifications.

Year	2017	2016	2015
Bursa Announcement	37	27	24

## SUSTAINABILITY REPORT

### ENHANCE CUSTOMER EXPERIENCE

HeiTech has played a vital role in digitizing the government's offices into e-government. This includes Jabatan Pendaftaran Negara (JPN), Jabatan Pengangkutan Jalan (JPJ) and Jabatan Imigresen Malaysia (JIM). Today, we are collaborating with our customers in their transformation journey to create efficient operation, improved productivity and enhance their customers experience. Therefore, we are collaborating with strategic partners in ensuring that we provide the best service, cutting-edge technologies and best in class solutions to our customers.

#### *Collaboration with Strategic Partners*

Among our efforts to enhance customer experience is by implementing digital performance management tool to support day-to-day operations of our customers. Together with our partner, we improved customers' experience by enabling real-time automated performance monitoring, fast and accurate problem identification and trouble shooting and availability of analytics tool to give a snapshot of customers' IT resources. IT managers found the dashboard provided is very helpful in assisting them to manage day-to-day IT operations. As a service-based organization, apart from providing reliable tool, we also offer value-added service to analyze reports and also assist in troubleshooting activities.

#### *Information Security and Privacy Policy*

In today's complex ICT infrastructure and systems, security become increasingly important. Organizations are becoming more vulnerable to cyber threats, malware attack and viruses. HeiTech as an ICT provider to many large organizations need to equip ourselves with knowledge and best practices in defending our customers from the said threats. We strongly believe that, security aspect is an essential component for a complete customer experience enhancement. Realizing the importance of protecting security and privacy of our customers, in general, our Information Security Management System (ISMS) covers confidentiality of data, availability, data and system security.

#### *Customer Care Centre*

Customers are the life line of a business. "Without them, we are nowhere". That is the main thrust where we value our clients and providing them with our best support and systems, for enhancing their competitiveness in using our solutions. We have numerous engagement programs with them to ensure that new changes and development are properly communicated and govern by a structured process rather than a need to do basis.

Our most committed effort towards customer engagement is the 24 hours call center with focus in helping the customers increase their experience in using our systems. Operated by qualified staff, the call center remains the most valuable asset in our engagement with our clients. We equipped ourselves with an efficient infrastructure and ample resources to operate a 3-shift helpdesk facility. The staff are well trained to have a "customer centric culture". We also developed our own Problem Management System (PMS). The aim of PMS is to provide a comprehensive problem management system to ensure our customers can report problems related to all systems we implemented. The reported problems are captured and escalated to the right personnel to attend to. The workflow starts with ticket generation and ends with the closure of the issues. The whole flow with different levels of support structure is managed systematically by our PMS.

HeiTech PMS is well integrated with SMS capabilities for fast problem escalation. In 2017, in-line with HeiTech embarking into digitalization, we have upgraded the version of PMS to include omni-channels capability. The channels now include mobile devices. The data collected in the database is used to generate relevant reports to assist our customers in making the right decision and help to analyze the pattern of errors in the system implementation for counter-measure purposes. Moving forward, we are currently integrating PMS with analytics tool to enable better data analysis and serve as basis for predictive analytics.

## SUSTAINABILITY REPORT

**Customer Satisfaction Survey**

Improving customer advocacy and meeting the targeted customer's level of awareness or understanding on vertical's consulting capabilities & offerings remains our number one strategic priority. We continue to listen to our customers to help us improve the way we do things. Our interaction with customers is present at all touchpoints and they can provide feedback to us via the Customer Satisfaction Survey that is conducted on an annual basis.

For every completion of project, we deployed customer satisfaction survey for evaluating and enhancing our performance in terms of deliverables and competencies.

HeiTech Quality Policy stated that we will strive to continuously achieve the expectation and satisfaction of our customers. For 2017, HeiTech has achieved 97% overall satisfaction level or Customer Satisfaction Index (CSI) covering both the Public and Commercial Sector customers. The CSI is a good indicator for us to strengthen our branding and positioning in the market.

**Customer Engagement**

We strive to build long-term working relationships with our customers based on integrity, respect and fairness. Therefore, we continue to demonstrate our commitment in addressing this through various customer engagement activities to enhance and strengthen our relationships with customers which include technology update session, workshops and user training, Hari Raya Gathering, team building, and futsal tournament.

**GIVING BACK TO THE COMMUNITY**

At HeiTech, we view Corporate Social Responsibility ("CSR") as an integral part of our overall strategies to fundamentally strengthen our business while contributing to society at the same time. We believe in making a positive and sustainable impact in the communities we operate in. For the year under review, we continued to focus and align our CSR efforts focusing on educational and social development, and philanthropy.

Highlights of 2017:

- Almost 100 staffs participated in HeiTech's Volunteer team HeiTech Cares activities in 2017.
- Activities organized by HeiTech Cares includes Projek Ceria Sekolah Sg.Bumbun, Program Memasak Bubur Lambuk , and Program Jalinan Kasih Aidilfitri.
- Involved more than 1,000 beneficiaries include students, schools, NGOs, orphanage, other deserving groups.
- More than RM30,000 allocated to students and schools under HeiTech Academic Excellence and School Adoption programmes.
- 1 of HeiTech adopted student is currently pursuing her studies in Bachelor of Finance, UiTM.



## BOARD OF DIRECTORS



**DATO' SRI  
MOHD HILMEY  
BIN MOHD TAIB**

- Chairman of HeiTech Padu Berhad
- Chairman of the Voluntary Separation Scheme (VSS) Committee

**DATO' HAJI GHAZALI  
BIN AWANG**

- Chairman of the Audit Committee
- Chairman of the Nomination and Remuneration Committee
- Chairman of the Employee Share Option Scheme (ESOS) Committee
- Member of the Voluntary Separation Scheme (VSS) Committee

**SYED AGEL  
BIN SYED SALIM**

- Member of the Audit Committee



## BOARD OF DIRECTORS



### **DATO' MOHD FADZLI BIN YUSOF**

- Chairman of the Risk Management Committee

### **TAN SRI DATO' SRI ABI MUSA ASA'ARI BIN MOHAMED NOR**

- Member of the Nomination and Remuneration Committee
- Member of the Employee Share Option Scheme (ESOS) Committee

### **SULAIMAN HEW BIN ABDULLAH**

- Member of the Nomination and Remuneration Committee
- Member of the Risk Management Committee

### **PUAN AMIZAR BINTI MIZUAR**

- Member of the Risk Management Committee

### **WAN AINOL ZILAN BINTI ABDUL RAHIM**

- Member of the Audit Committee

\* Dato' Dr.Mohamed Ariffin bin Aton has resigned w.e.f 31 December 2017



## PROFILE OF DIRECTORS



### DATO' SRI MOHD HILMEI BIN MOHD TAIB

Chairman

Age 65 | Male | Malaysian  
Appointed on 5 August 1994

Prior to joining HeiTech, Dato' Sri Mohd Hilmei helmed several leadership positions in Permodalan Nasional Berhad (PNB). In 1995 to 1997, he held his last position in PNB as the Group Chief Executive. Throughout his career, Dato' Sri Mohd Hilmei has also held several directorships in public listed companies such as Malayan Banking Berhad, Kuala Lumpur Kepong Berhad, KFC Holdings (M) Berhad, Maxis Communications Berhad, Pasdec Holdings Berhad and several other private companies of various industries prior to focusing on HeiTech Group.

**Membership of Board Committee:**  
Voluntary Separation Scheme (VSS) Committee (Chairman)

**Number of Board Meetings  
Attended in the Financial Year:**  
5/5

**Qualifications:**  
Bachelor of Economics (Hons) in Accounting, University of Malaya, Malaysia

Master in Business Administration, Cranfield Institute of Technology, United Kingdom

Master of Science in Management & Strategic Entrepreneurship, Nottingham Trent University, United Kingdom

Member of Malaysian Institute of Accountants (MIA)

Chartered Accountant (Malaysia)

Currently, he serves as Chairman of UMP Holdings Sdn Bhd. He is also a Director in PT Intercity Kerlipan, Cinix1 Pty. Ltd., Motordata Research Consortium Sdn Bhd, DAPAT Vista (M) Sdn Bhd and several other companies within HeiTech Group.



## PROFILE OF DIRECTORS

### Membership of Board Committee:

Audit Committee (Chairman)

Nomination and Remuneration Committee (Chairman)

Employee Share Option Scheme (ESOS) Committee (Chairman)

Voluntary Separation Scheme (VSS) Committee

Number of Board Meetings  
Attended in the Financial Year:  
5/5

### Qualifications:

Bachelor of Commerce, University of Newcastle, N.S.W. Australia

M.A, Institut Agama Islam Negeri, Imam Bonjol, Padang

Member of Malaysian Institute of Accountants (MIA)

Chartered Accountant (Australia)



Dato' Hj Ghazali started his career as an accountant with Messrs. Wilson, Bishop, Bowes & Craig, Chartered Accountants, Australia. He has vast experience in accountancy, financial operations, investment and corporate services, being in both public and commercial sectors. Before his retirement, he had served as the Group Director, Finance and Corporate Services of Kumpulan Guthrie Berhad.

He currently sits on the boards of BIMB Investment Management Berhad, TH Marine Holding (L) Inc. and TH Heavy Engineering Berhad.

He is a Director of PT. Intercity Kerlipan, a subsidiary of HeiTech Padu Berhad.

### DATO' HAJI GHAZALI BIN AWANG

Independent  
Non-Executive Director

Age 71 | Male | Malaysian  
Appointed on 8 March 2005

## PROFILE OF DIRECTORS



### SYED AGEL BIN SYED SALIM

Non-Independent  
Non-Executive Director

(Appointed Director by  
Permodalan Nasional Berhad, a  
substantial shareholder of HeiTech)

Age 72 | Male | Malaysian  
Appointed on 1 January 1995

Syed Agel started his career with the Auditor General's Office in 1969. He served Dunlop Malaysian Industries Berhad in 1974 and after nine (9) years of service in various capacities, he then joined Permodalan Nasional Berhad (PNB) in 1983 as the Finance and Management Audit Manager and has served PNB for seventeen (17) years. He subsequently retired as General Manager of Amanah Saham Nasional Berhad in July 2000.

**Membership of Board Committee:**  
Audit Committee

**Number of Board Meetings  
Attended in the Financial Year:**  
5/5

**Qualifications:**  
Associate Member, Institute  
of Chartered Secretaries and  
Administrators

He is a Director of Inter-City MPC (M) Sdn Bhd and PSG Data Sdn Bhd, subsidiary companies of HeiTech Padu Berhad.



## PROFILE OF DIRECTORS

**Membership of Board Committee:**  
Risk Management Committee  
(Chairman)

**Number of Board Meetings  
Attended in the Financial Year:**  
5/5

**Qualifications:**

Diploma in Communications,  
Advertising and Marketing,  
Communications, Advertising and  
Marketing Foundation, United  
Kingdom



Dato' Mohd Fadzli started his career in broadcasting with Radio Malaysia and joined British Broadcasting Corporation, United Kingdom from 1970 to 1976. He was appointed as Head of Marketing for Bank Bumiputra (M) Berhad from 1976 to 1981. He then joined Malaysian National Insurance Sdn Bhd as Deputy General Manager and later moved to Bank Islam Malaysia Berhad as General Manager in 1984 specifically to set up the first Malaysian Takaful operation. He left Bank Islam Malaysia Berhad to spearhead Syarikat Takaful Malaysia Berhad as the Chief Executive Officer and Director until September 2005.

He is currently a member of the Board of Trustees, Sultan Mizan Royal Foundation, a member of the Board of Directors, Mains Zakat Sdn Bhd and Noor Takaful Plc. Nigeria. He is also a Director of Amana Takaful Sri Lanka PLC, Amana Takaful Maldives PLC, and Perbadanan Kemajuan Iktisad Negeri Kelantan. He also serves as Academic Fellow at University Islam Malaysia (UIM).

He is the Chairman of HeiTech i-Solutions Sdn Bhd and a Director of Motordata Research Consortium Sdn Bhd, subsidiary companies of HeiTech Padu Berhad.

## DATO' MOHD FADZLI BIN YUSOF

Independent  
Non-Executive Director

Age 73 | Male | Malaysian  
Appointed on 7 October 2005

## PROFILE OF DIRECTORS



### TAN SRI DATO' SRI ABI MUSA ASA'ARI BIN MOHAMED NOR

Independent  
Non-Executive Director

Age 69 | Male | Malaysian  
Appointed on 17 October 2006

Tan Sri Dato' Sri Abi Musa Asa'ari Mohamed Nor started his career in the Malaysian Civil Service as Assistant Director in Public Service Department in 1973. He then served in the National Bureau of Investigation, National Institute of Public Administration and Petroleum Development Unit of the Prime Minister's Department before being appointed as the Deputy Budget Director in the Ministry of Finance in 1995. In 1998, he joined Federal Agriculture Marketing Authority (FAMA) as the Director General and subsequently as the Secretary General of the Ministry of Agriculture and Agrobased Industry from 2001 before retiring in 2006.

#### Membership of Board Committee:

Nomination and Remuneration Committee

Employee Share Option Scheme (ESOS) Committee

Number of Board Meetings  
Attended in the Financial Year:  
5/5

#### Qualifications:

Bachelor of Economics (Hons),  
University of Malaya, Malaysia

D.D.A, University of Birmingham,  
United Kingdom

Master in Business Administration,  
University of Birmingham, United  
Kingdom

He is currently the Chairman of Pelikan International Corporation Bhd, and MCT Berhad. He also sits on the Boards of Graphene Nanochem PLC. and Pelikan AG (Germany).

He is the Chairman of DAPAT Vista Sdn Bhd and a Director of PSG Data Sdn Bhd, subsidiary companies of HeiTech Padu Berhad.





## PROFILE OF DIRECTORS

**Membership of Board Committee:**

Nomination and Remuneration Committee

Risk Management Committee

**Number of Board Meetings**

**Attended in the Financial Year:**

5/5

**Qualifications:**

Barrister-at-Law of the Honourable Society of Lincoln's Inn, London



Sulaiman Hew Abdullah was called to the Bar in 1975 and commenced practice in the same year. He is currently the Managing Partner and also the Founder Partner of Hamzah, Sulaiman & Partners. Prior to joining HeiTech, he served as an Independent Director on the board of several public listed companies including Trinity Corporation Berhad, Ganad Corporation Berhad and Europlus Berhad.

He is a Director of HeiTech NX Sdn Bhd, a subsidiary of HeiTech Padu Berhad.

## SULAIMAN HEW BIN ABDULLAH

Independent  
Non-Executive Director

Age 68 | Male | Malaysian  
Appointed on 30 July 2013

## PROFILE OF DIRECTORS

### WAN AINOL ZILAN BINTI ABDUL RAHIM

Independent  
Non-Executive Director

Age 63 | Female | Malaysian  
Appointed on 6 August 2013

Wan Ainol Zilan joined Permodalan Nasional Berhad as a System Accountant and her last position was as the Head of Finance and Administration. She then joined Cycle & Carriage Group of Companies as the Group Internal Auditor covering four listed companies in Malaysia and Singapore and its subsidiaries. Prior to joining PNB, she was with Price Waterhouse (now known as PriceWaterhouseCoopers - PwC). She is a life member of Pertubuhan Perkumpulan Perempuan Negeri Perlis (commonly known as W.I-Perlis).

She is a Director of PSG Data Sdn Bhd, a subsidiary of HeiTech Padu Berhad.

**Membership of Board Committee:**  
Audit Committee

**Number of Board Meetings  
Attended in the Financial Year:**  
5/5

**Qualifications:**

Bachelor of Accounting (Hons),  
University of Malaya, Malaysia

Master of Commerce, University of  
New South Wales, Australia

Diploma in Islamic Studies,  
International Islamic University  
Malaysia

Member of Malaysian Institute of  
Accountants (MIA)



## PROFILE OF DIRECTORS

**Membership of Board Committee:**  
Risk Management Committee

**Number of Board Meetings Attended in the Financial Year:**  
N/A

**Qualifications:**

Diploma in Banking Studies, Institut Teknologi MARA, Malaysia

Bachelor of Business Administration (Hons), Universiti Utara Malaysia

Executive Diploma in Investment Analysis, Institut Teknologi MARA, Malaysia

Graduate Diploma of Applied Finance & Investment, Securities Institute, Australia

Master of Business Administration (Applied Finance & Investment), Universiti Kebangsaan Malaysia



Amizar joined Permodalan Nasional Berhad since 1995 and has held various positions in departments and divisions such as Corporate Finance, Corporate Services and Corporate & International of PNB. She is currently the Vice President, Public Equity Department of PNB.

She is a Director of HeiTech Managed Services Sdn Bhd, a subsidiary of HeiTech Padu Berhad.

### AMIZAR BINTI MIZUAR

Non-Independent  
Non-Executive Director

Age 48 | Female | Malaysian  
Appointed on 30 January 2018

(Appointed Director by Permodalan Nasional Berhad, a substantial shareholder of HeiTech)

## PROFILE OF DIRECTORS



**Membership of Board Committee:**  
Risk Management Committee

Employee Share Option Scheme (ESOS)  
Committee

Voluntary Separation Scheme (VSS)  
Committee

**Number of Board Meetings Attended in the Financial Year:**  
5/5

**Qualifications:**  
Bachelor of Science (Hons) in Chemical Engineering, University of Surrey, United Kingdom

Doctorate in Chemical Engineering, University of Leeds, United Kingdom

Member, Institute of Engineers Malaysia

Fellow, Academy of Sciences Malaysia

Chartered Chemist

### DATO' DR. MOHAMED ARIFFIN BIN ATON

Non-Independent  
Non-Executive Director

Age 72 | Male | Malaysian  
*Resigned w.e.f 31<sup>st</sup> December 2017*

(Appointed Director by Permodalan Nasional Berhad, a substantial shareholder of HeiTech)

Dato' Dr Mohamed Ariffin Aton started his career with ESSO Refinery as a Process Engineer from 1970 until 1972. He also served at the Institute Technology Mara in 1971 as a Part-Time Lecturer and later joined University Kebangsaan Malaysia for almost 18 years. In 1989, he joined Petronas Research & Scientific Services Sdn Bhd as the Managing Director from 1993 to 1996 before joining Standards and Industrial Research Institute of Malaysia (SIRIM) Berhad as the President and Chief Executive from 1996 to 2007.

He currently sits on the boards of Kumpulan Perangsang Berhad, Perisai Petroleum Teknologi Berhad, Malaysian Technology Development Corp. Sdn Bhd, Core Competencies Sdn Bhd, Gryphon Energy Sdn Bhd, Nural Manufacturing Sdn Bhd, KASS International, MTN Sdn Bhd, Senstech Sdn Bhd and National Measurement Centre.

He was a Director of HeiTech Managed Services Sdn Bhd, a subsidiary of HeiTech Padu Berhad.

#### Declaration by the Board:

- (i) Family relationship with Director and/or major shareholders of HeiTech:  
None of the Directors has any family relationship with any Director and/or major shareholder of HeiTech.
- (ii) Conflict of interest with HeiTech: None of the Directors has any conflict of interest with HeiTech.
- (iii) Other than traffic offences, none of the Directors has been convicted for offences within the past five (5) years nor has been imposed of any public sanction or penalty by the relevant regulatory bodies during the Financial Year under review.



## PROFILE OF COMPANY SECRETARIES



**SITI SHAHWANA  
BINTI ABDUL HAMID  
(MAICSA 7018383)**

Company Secretary

**Qualifications:**

Bachelor of Business Administration (Finance), International Islamic University Malaysia

Graduated from The Institute of Chartered Secretaries & Administration (UK)

Siti Shahwana was appointed as the Company Secretary of HeiTech on 29 August 2014. She has over twenty (20) years of experience and has served both the public and private sectors in the areas of corporate finance, project valuation and feasibility, venture capital, market intelligence, business performance and company secretaryship.



**AMIR ZAHINI  
BIN SAHRIM  
(MAICSA 7034464)**

Joint Company Secretary

**Qualifications:**

Graduated from The Institute of Chartered Secretaries & Administration (UK)

Amir Zahini was appointed as Joint Company Secretary on 1<sup>st</sup> March 2016. He has over fifteen (15) years of experience in the private sector as company secretary, project valuation and feasibility studies, IP and grants, Government privatisation projects and venture capital.



## PROFILE OF MANAGEMENT TEAM



### HARRIS BIN ISMAIL

President and  
Group Chief Executive Officer of  
HeiTech Padu Berhad and, Chief  
Executive Officer of PSG Data Sdn  
Bhd

Age 57 | Male | Malaysian

#### Qualifications:

Master in Business Administration,  
Southern California University, USA.

Prior to joining HeiTech Group  
in 2000, Harris was involved in  
various industries including finance  
and securities, manufacturing,

construction and educational  
services. He started his career in  
HeiTech Group as Business Strategist  
in Padusoft Sdn Bhd, (previously  
a wholly-owned subsidiary of  
HeiTech). He was later appointed as  
Senior Vice President for Corporate  
Development of HeiTech in 2005  
and was later in charge of the  
non-core IT business in 2006. He  
was appointed as CEO of HeiTech  
e\*Business Solution Sdn Bhd in  
2009, focusing on the development  
of Homeland Security, Defence,  
Healthcare and Education sectors.

He was appointed as Group CEO of  
HeiTech in 2011.

He holds a number of directorship  
within HeiTech Group.



### AHMAD NASRUL HAKIM BIN MOHD ZAINI

Executive Vice President Finance  
and, Chief Financial Officer

Age 42 | Male | Malaysian

#### Qualifications:

Bachelor of Commerce  
(Accounting), University of New  
South Wales, Sydney, Australia

Chartered Accountant

Member of Malaysian Institute of  
Accountants (MIA)

Member of CPA Australia

Ahmad Nasrul Hakim joined  
HeiTech in 2002 and was appointed  
as Vice President of Group Finance  
Services Division in 2008 and later  
as Chief Financial Officer in 2009.  
Prior to HeiTech, he had worked  
with Deloitte Malaysia where he  
managed financial assurance,  
business advisory and consulting  
engagements for clients from  
manufacturing, property and  
banking industries.

He was appointed as Executive Vice  
President, Finance in January 2016.

He holds a number of directorship  
within HeiTech Group.



## PROFILE OF MANAGEMENT TEAM



### SALMI NADIA BINTI MOHD HILMEY

Executive Vice President,  
Risk Management &  
Corporate Services

Age 36 | Female | Malaysian

#### Qualifications:

Bachelor of Arts (B.A), Finance,  
Accounting and Management,  
University of Nottingham, United  
Kingdom

Masters of Science (Msc) in  
Management and Information  
System, Nottingham Trent University,  
United Kingdom

Salmi Nadia joined HeiTech in 2007. She was appointed as the Special Assistant to the GCEO in 2011 and later as Director of Corporate Development and Risk Management in 2014. Within these years, she has been responsible for all centralised functions under Corporate Services, while overseeing the operations and performance of all companies within HeiTech Group. Salmi Nadia is also the Chief Risk Officer in HeiTech Group.

She was appointed as Executive Vice President, Risk Management and Corporate Services in January 2016.

She holds a number of directorship within HeiTech Group.



### ABDUL HALIM BIN MD LASSIM

Executive Vice President of HeiTech  
Padu Berhad and Chief Executive  
Officer of HeiTech Managed  
Services Sdn Bhd and HeiTech  
i-Solutions Sdn Bhd

Age 46 | Male | Malaysian

#### Qualifications:

Bachelor of Arts (B.A) in Social  
Studies in Accountancy Studies,  
University of Exeter, United Kingdom

Chartered Accountant, Member of  
Malaysian Institute of Accountants  
(MIA)

Certified Public Accountant, Member  
of Malaysia Institute of Certified  
Public Accountants (MICPA)

Abdul Halim joined HeiTech in 2000 as Finance Manager responsible in assisting HeiTech during its flotation exercise. In HeiTech, he served as Chief Financial Officer in 2002. In 2008, he was appointed as CEO of HeiTech Managed Services (HMS), focusing on end-to-end ICT Infrastructure solutions and later in 2013, as CEO of HeiTech i-Solutions (HiS) to oversee the financial services industry.

Since 2012, HMS has embarked into expansion strategy going towards the commercial sector specifically in financial services industry and large enterprises, whilst maintaining its focus on end-to-end managed services.

He holds a number of directorship within HeiTech Group

## PROFILE OF MANAGEMENT TEAM



### NORAZLINA BINTI LATIFF

Vice President, Project Delivery for  
PSG Sdn Bhd

Age 56 | Female | Malaysian

#### Qualifications:

Bachelor of Science (BSc) in  
Computer Science & Mathematical,  
Queen Mary University of London,  
United Kingdom

Certified Trainer (Human Resource  
Development Fund, Ministry of  
Human Resources Malaysia)

Certified Project Management  
Professional (PMP), Project  
Management Institute, Pennsylvania,  
USA

Norazlina started her career in the ICT industry in 1985 as a Software Developer in a local bank before joining HeiTech in 1992. She has more than thirty (30) years of experience in systems integration projects for the Malaysian Government agencies including the Immigration Department, Pension Department and Road Transport Department. Prior to her current role, she was the Chief Operating Officer of HeiTech Academy Sdn Bhd.

Her areas of expertise include customer service, best practices and process improvement. She has contributed in HeiTech's people development programmes where she has conducted trainings and facilitated sessions for HeiTech staff in topics relating to project management, customer service and process improvement. She also assisted HeiTech in achieving both the organisational certifications, CMMi and TMMi which are key credentials required for HeiTech to be in the ICT industry.



### DR. NOR HAZILAWATI BINTI AWANG

Chief Operating Officer, HeiTech  
i-Solutions Sdn Bhd (HiS) and Chief  
Digital Officer, HeiTech Managed  
Services Sdn Bhd (HMS)

Age 45 | Female | Malaysian

#### Qualifications:

Bachelor(BSc. Hons) in Computer  
Studies, Liverpool John Moores  
University, United Kingdom

Master of Science (Msc) in Realtime  
Software Engineering, Universiti  
Teknologi Malaysia

PhD (Computer Science), Universiti  
Teknologi Malaysia

Dr. Nor Hazilawati joined HeiTech in 1997 as Analyst Programmer and since then was involved in several mission critical and multi-million projects, product development, and R&D, in various roles including Chief Technology Officer for HiS.

Since 2011, Dr. Nor Hazilawati serves as a Technical Committee member for Software Engineering (TC 11) for SIRIM. She also serves as Industry Advisor for Universiti Teknologi Malaysia, Universiti Tun Hussein Onn Malaysia, UNITEN, Universiti Pertanian Malaysia, UniKL and Kolej Universiti Islam Selangor.

## CHAIRMAN'S INTRODUCTION ON HEITECH'S CORPORATE GOVERNANCE



In this new era of technological advances, businesses and companies realised that the Board's role in terms of responsibility and governance increased significantly.

Information is moving faster with the utilisation and better internet capabilities leaving what we assumed we know today as irrelevant and redundant, resulting in tolerable risk to scale higher than before. New disruptive business changes the way we used to do things. Higher risks are required to be adversely managed and controlled whilst still promoting entrepreneurial behaviour and ensuring a successful business.

We believe by empowering new leaders and changing the way we do things while embedding good governance to guide the initiatives are the way forward.

It continues to be my belief that an effective Board should be adaptable to new possibilities. Whilst managing and governing a business in dynamic environment is a challenge, it should not be a show stopper to having good governance.

The composition of the Board has resulted in the best practice in governance in the Company. With collective effort and continuous improvement, the Board will lead the way in sustaining the corporate governance values.

Dato' Sri Mohd Hilmey bin Mohd Taib  
Chairman



## STATEMENT OF CORPORATE GOVERNANCE



### INTRODUCTION

The Board of Directors acknowledge the importance of Principles and Recommendations as promulgated by Malaysian Code on Corporate Governance 2017 ("the Code") in order to continuously deliver the sustainable performance for the benefit of shareholders and maintaining standards of corporate governance in managing the business affairs of the Company.

This Statement is prepared in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements and it is to be read together with the Corporate Governance Report 2017 of the Company (CG Report) which is available on the Company's website at [www.heitech.com.my](http://www.heitech.com.my).

### PRINCIPLE 1

#### ESTABLISH CLEAR ROLES AND RESPONSIBILITIES FOR THE BOARD AND MANAGEMENT

The Board of Directors are entrusted with the responsibility to exercise reasonable and proper care of the Company's resources for the best interests of its shareholders and to safeguard the Company's assets.

Members of the Board have been selected based on their character, calibre, extensive experience and expertise in a wide range of related and unrelated industries, as well as their ability to add strength to the stewardship of the Company. Further, the Board acknowledges the recommendation of the Code in Malaysian Code on Corporate Governance 2017 ("MCCG 2017") on gender diversity and expresses a strong preference for suitable candidate of the female gender where and when such candidates become available.





## STATEMENT OF CORPORATE GOVERNANCE

The Board selects, after recommendation from the Nomination Committee and in conformity with the Code, individuals from business, legal, financial, taxation, accounting, insurance and information technology to guide the Company in achieving its business objectives.

### Chairman and Chief Executive Officer

There is a clear division of responsibility between the Chairman and the Chief Executive Officer thus ensuring a balance of power and authority. The Chairman's role is to provide leadership and ensure the effectiveness of the Board's Governance processes, whilst the Chief Executive Officer manages the commercial and operational aspects of the business.

### Roles and Responsibilities of the Board

The Board has established clear functions reserved for the Board and those delegated to the Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. The delineation of Board's roles and responsibilities are also clearly set out in the Board Charter which serves as a reference point for Board activities and reinforces the supervisory role of the Board.

The Board is bestowed with duties and responsibilities to ensure the interest of shareholders are protected. The Board's roles and responsibilities are clearly set out in the Board Charter which spells out as follows:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the performance of the Management;
- Monitoring and managing principal risks in the business;
- Ensuring implementation of appropriate internal controls and mitigation measures;
- Succession planning for Senior Management;
- Overseeing the development and implementation of a stakeholder communication policy for the Group; and
- Reviewing the adequacy and the integrity of the management information and internal control system of the Group.

### Code of Conduct

The Directors are expected to adhere to the Code of Business Conduct and Ethics which was designed to promote the principles of integrity, sincerity, honesty, responsibility, social responsibility and accountability in order to enhance the Group's standard of corporate governance and behaviour. The Directors are obliged to follow the code as it is a way to manifest their commitment to professionalism and integrity.

### Whistleblowing Policy

A whistleblowing policy has been adopted in order to ensure that concerns or wrongdoings in relation to the Group may be raised. The Audit Committee has been tasked to facilitate the investigation and proposed the appropriate action to be taken.

## PRINCIPLES 2

### STRENGTHEN COMPOSITION OF THE BOARD

At present, the Board consists of eight (8) members comprising five (5) Independent and three (3) Non-Independent Non-Executive Directors. The composition fulfils the requirements set out under the Main Market Listing Requirement ("MMLR") of Bursa Securities which stipulates that at least two (2) Directors or one-third of the Board, whichever is higher, must be independent.

### Board Committees

The Board has established the following Board Committees to assist the Board in discharging its duties:

- Audit Committee;
- Nomination Committee & Remuneration Committee
- Employee Share Option Scheme ("ESOS") Committee;
- Voluntary Separation Scheme ("VSS") Committee;
- Risk Management Committee.

Members of these committees comply with the criteria for independence provided under the LR of Bursa Malaysia. Every committee has a separate and defined written charter and terms of reference which has been approved by the Board, describing the committee's

## STATEMENT OF CORPORATE GOVERNANCE

authorities and responsibilities. The Chairperson of each committee reports on items discussed and action taken at their meetings to the Board, after the conclusion of each meeting.

All Directors are provided with an agenda and a set of Board papers prior to the Board meetings and sufficient notice is given to the Directors to review the papers and agenda for the meeting. Generally, the Board papers circulated include minutes of the previous Committees' meetings, quarterly and/or annual financial statements, corporate development, minutes of Board Committees' meetings, acquisition and disposal proposals, updates from Bursa Securities, list of directors' resolutions passed and summary of directors' dealings in securities during the relevant financial period, if any.

### Gender Diversity Policy

The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG 2017 to the establishment of boardroom and workforce gender diversity policy. The Board currently has two female directors which the Board is of the view, is in line with the gender diversity recommended by MCCG 2017 and also taken into consideration, the background and qualifications of the director.

The Group does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the workforce. The evaluation on the suitability of candidates as the new Board member or as a member of the workforce is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender.

The Group is an equal opportunity employer and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

### (a) Audit Committee

The present members of the Audit Committee are:

Members	Status	Attendance
Dato' Haji Ghazali bin Awang (Chairman)	Independent-Non Executive	7/7
Tuan Syed Agel bin Syed Salim	Non Independent-Non Executive	7/7
Wan Ainol Zilan binti Abdul Rahim (f)	Independent Non-Executive	7/7

Details of the composition, terms of reference and the Audit Committee Report are set out in page 61 to 64 of this Annual Report

### (b) Nomination Committee and Remuneration Committee

Members	Status	Attendance
Dato' Haji Ghazali bin Awang (Chairman)	Independent Non-Executive	2/2
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	Independent Non-Executive	2/2
Sulaiman Hew bin Abdullah	Independent Non-Executive	2/2

The Nomination and Remuneration Committee ("NCRC") is empowered to review and make recommendations to the Board in identifying suitable candidates for Directors, Group Chief Executive Officer ("GCEO"), Chief Executive Officer ("CEO") and Executive Vice President ("EVP"). The NCRC considers various aspects which include the competencies, commitment, contribution and performance of a candidate. On top of that, the Nomination Committee also facilitates with the Board's induction of new members and training programmes for the Directors.

## STATEMENT OF CORPORATE GOVERNANCE

By referring to the MCCG 2017, in relation to gender diversity, the NCRC will review and select candidates that would be able to fulfil the criteria of integrity and competency, regardless of gender. As for the selection criteria with regards to diversity, the Committee strictly adhere to the selection process which emphasises on the qualification, background and the capabilities of the candidates.

The other role of the NCRC is to consider and recommend to the Board the remuneration schemes for the Directors, GCEO, CEO and EVP. The NCRC will regularly review and

compare the scheme which is benchmarked against the industry. Independent Directors may not receive, directly or indirectly, any consulting, advisory or other compensatory fees from the Company.

## Disclosure of Remuneration

All Directors in HeiTech Padu Berhad are Non-Executive Directors. The details of the remuneration of the Non-Executive Directors comprising remuneration received/receivables from the Group during the financial year are as follows:

	Consultancy Fee RM	Meeting Allowances RM	Annual Fees RM	Total RM
<b>Directors</b>				
Dato' Sri Mohd Hilmey bin Mohd Taib	1,050,000	30,000	25,000	1,105,000
Syed Agel bin Syed Salim	-	20,000	30,000	50,000
Dato' Haji Ghazali bin Awang	-	17,000	30,000	47,000
Dato' Mohd Fadzli bin Yusof	-	21,000	50,000	71,000
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	-	14,000	30,000	44,000
Dato' Dr. Mohamed Ariffin bin Aton	-	13,000	30,000	43,000
Sulaiman Hew bin Abdullah	-	14,000	30,000	44,000
Wan Ainol Zilan binti Abdul Rahim	-	16,000	30,000	46,000
<b>GRAND TOTAL</b>				1,450,000

The number of Directors of the Company in each remuneration band is as follows:

Range of Remuneration (RM)	Executive	Non-Executive
Up to 50,000	-	7
900,001 - 1,050,000	-	-
1,050,001 - 1,150,000	-	1

## STATEMENT OF CORPORATE GOVERNANCE

**(c) Employee Share Option Scheme ("ESOS") Committee**

Members	Status
Dato' Haji Ghazali bin Awang (Chairman)	Independent Non-Executive
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	Independent Non-Executive

This committee was set up to assist the Board in the implementation of the ESOS scheme under its By-Laws and Guidelines. This is undertaken with the proper execution of the ESOS, within the defined terms of reference and also with the establishment, amendment and resolution of rules and regulations relating to the scheme and its administration.

**(d) Voluntary Separation Scheme ("VSS") Committee**

Members	Status
Dato' Mohd Hilmey bin Mohd Taib (Chairman)	Chairman
Dato' Haji Ghazali bin Awang	Independent Non-Executive
Dato' Dr. Mohamed Ariffin bin Aton (Resigned w.e.f 31 <sup>st</sup> December 2017)	Non-Independent Non-Executive

The Committee assists the Board in the administration and execution of the VSS scheme for the Group, if such a need arises.

**(e) Risk Management Committee ("RMC")**

Members	Status	No of Meeting
Dato' Mohd Fadzli bin Yusof (Chairman)	Independent Non-Executive	4/4
Sulaiman Hew bin Abdullah	Independent Non-Executive	4/4
Dato' Dr. Mohamed Ariffin bin Aton (Resigned w.e.f 31 <sup>st</sup> December 2017)	Non-Independent Non-Executive	4/4
Amizar binti Mizuar (f) (Appointed w.e.f 30 <sup>th</sup> January 2018)	Non-Independent Non-Executive	NA

The RMC is assisted by the Central Risk Review Committee (CRRC) to identify, deliberate and monitor the strategic and operational risks of the Group. The Chief Risk Officer implements the Risk Management Framework and Policy for the Group and reports to the RMC on quarterly basis. The report is then shared with the Board Members for further deliberation and action to be taken.

**Board Charter**

The Board's roles and responsibilities, as stated earlier are set forth in the Terms of Reference ("TOR" or "Charter") for the year under review, this document remain as the main reference in establishing clear functions, roles and responsibilities of the Board and the Management of the Company.

The Charter contains key values, principles and ethos of the Group. Some of the salient features of the Charter would be the protocol for accepting new directorships, the division of responsibilities and powers between the Board and the Management, the Chairman and the Chief Executive Officer and the roles and responsibilities of the committees established by the Board. The Charter is periodically reviewed by the Board and can be accessed on the Group's corporate website.

**PRINCIPLE 3  
REINFORCE OF THE BOARD**

The Nomination Committee reviews and evaluates the assessment of Directors and the performance of other Committees on an annual basis. The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, Board Committee and as well as the Management performance.

The Board also reviews the independence of its members to ensure that all of the independent members are able to bring their objective and independent judgement to the Board.

The results of the assessment would be reported by the Nomination and Remuneration Committee to the Board and it is essential for the Board to form the basis of recommending relevant director for retirement by rotation at the Annual General Meeting.

## STATEMENT OF CORPORATE GOVERNANCE

The responsibility of identifying candidates for directorship and the re-election rests with the Nomination and Remuneration Committee, in accordance with its terms of reference. Potential candidates are screened for the ideal mix of capabilities, experience and expertise. Inputs from other directors are also taken into consideration in examining eligibility.

The Board is cognisance of the MCCG 2017's recommendations on the tenure of an Independent Director that should not exceed a cumulative term of nine (9) years. For the year under review, three (3) directors have reached cumulative terms of more than twelve (12) years. The Board is of the view that the independence of a director is more of a state of mind and action rather than tenure of office. The Board has assessed on the Independent Directors and is of the opinion that they remain objective and independent in expressing their views. The Board will be seeking the shareholders' approval through a two-tier voting process in the forthcoming AGM for the following three (3) Directors to continue to act as Independent Non- Executive Directors of the Company:

1. Dato' Haji Ghazali bin Awang;
2. Dato' Mohd Fadzli bin Yusof; and
3. Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor

All Directors are subject to retirement by rotation and in ascertaining the number of directors to retire, the Company shall ensure all Directors shall retire from office at least once in every 3 years but shall be eligible for re-election.

#### PRINCIPLE 4 FOSTER COMMITMENT

The Board meets on a regular and scheduled basis, at least four (4) times a year, once every quarter, to review corporate strategies, operations and the performance of the companies within the Group. Additional meetings are held as and when required or the urgency of the matter warrants such an action to be taken. During the financial year under review, the Board met five (5) times and the details of the attendance of the Board members are set out as follows:

No.	Name of Directors	Designation	86 <sup>th</sup> 23 Feb	87 <sup>th</sup> 26 May	88 <sup>th</sup> 25 Aug	89 <sup>th</sup> 21 Nov	SP1 07 Apr	Attendance
1.	Dato' Sri Mohd Hilmey bin Mohd. Taib	Chairman	/	/	/	/	/	5/5
2.	Dato' Haji Ghazali bin Awang	Independent Non-Executive Director	/	/	/	/	/	5/5
3.	Dato' Mohd. Fadzli bin Yusof	Independent Non-Executive Director	/	/	/	/	/	5/5
4.	Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	Independent Non-Executive Director	/	/	/	/	/	5/5
5.	Tuan Syed Agel bin Syed Salim	Non-Independent Non-Executive Director	/	/	/	/	/	5/5
6.	Dato' Dr. Mohamed Ariffin bin Aton (Resigned w.e.f 31 <sup>st</sup> December 2017)	Non-Independent Non-Executive Director	/	/	/	/	/	5/5
7.	Sulaiman Hew bin Abdullah	Independent Non-Executive Director	/	/	/	/	/	5/5
8.	Wan Ainol Zilan binti Abdul Rahim (f)	Independent Non-Executive Director	/	/	/	/	/	5/5
9.	Amizar binti Mizuar (f) Appointed w.e.f 30 <sup>th</sup> January 2018)	Non-Independent Non-Executive Director	NA	NA	NA	NA	NA	NA



## STATEMENT OF CORPORATE GOVERNANCE

### Conduct of Meetings (Board Agenda)

The Chairman of the Board and chairpersons of the Board's committees outline the agendas for the Board and Committee meetings. The Chairman and chairpersons of the respective committees review the Board and committees' agenda respectively. In relation to the Board, each director is welcomed to suggest items for the Board's agenda, and raise issues and concerns in any Board Meeting.

### Access to Information and Advices

The Company takes necessary steps to ensure that quality and useful information be delivered to its Board members to facilitate their decision-making.

Relevant Board papers are disseminated to all Directors prior to the meetings in a timely manner to enable the Directors to review the materials and obtain additional information or clarification prior to the meetings. Directors also have unfettered access to the information within the Group, both financial and operational in which officers and employees of the Group may brief and present details to the Board. Upon request, the Board also seek the advice from independent professional advisers at the Group's expense, and have access to the advice and services of the Company Secretaries who ensure that Board procedures and applicable rules and regulations are complied with.

### Directors Training

Due to the ever increasing complexities in doing business, Directors are expected to upgrade their skill sets and keep themselves abreast with the developments in the business environment as well as with any new relevant regulatory and statutory requirements to maximise their effectiveness in serving the interest of the Group.

During the financial year 2017, the Directors had attended various training programmes relevant to their duties and responsibilities. Among the trainings that they had attended are:

- Federation of Public Listed Companies (FPLC) – National Seminar on Directors' Duties and Corporate Governance.
- Seminar on Introduction of Companies Act 2016.
- MFRS 15/IFRS 15 Revenue from Contracts with Customers

- Anti – Money Laundering, Anti Terrorism Financing & Proceeds of Unlawful Activities Act 2001 : Risk, Challenges & Vulnerabilities Towards Risk Based Approach
- Malaysia Code of Corporate Governance - Workshop with Malaysian Institute of Accountants (MIA).

### Group Company Secretary

Every Director has ready and unrestricted access to the advice and the services of the Company Secretaries in ensuring the effective functioning of the Board. The Company Secretaries ensure that Board policies and procedures are both followed and reviewed regularly. The Directors were also regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements issued by regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities. The Company Secretaries also ensure that the Group complies with the relevant statutory and regulatory requirements and the deliberations at the Board and committees Meetings are captured and minuted.

## PRINCIPLE 5

### UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### Financial Reporting

The Board is responsible for presenting a balanced, clear and transparent assessment of the Group's financial performance and prospect through the quarterly and annual financial reporting to shareholders. The Group via the Audit Committee's scrutiny, complies with the requirement applicable under the Malaysian Approved Accounting Standards Board in preparing the annual and quarterly financial statements. The Audit Committee ensures that the financial and statutory compliance aspects of the audited financial statements and adherence to internal policies and procedures prior to full deliberation at the Board level are strictly followed.

#### External Auditors

The Management maintains a close and transparent relationship with the External Auditors in seeking professional advice and ensuring compliance with the applicable approved accounting standards.



## STATEMENT OF CORPORATE GOVERNANCE

### PRINCIPLE 6 RECOGNISE AND MANAGE RISKS

The Board of Directors recognised the importance of having sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal control and risk management, and for reviewing the adequacy and effectiveness of the same from time to time. It is to be noted that such system is designed to identify, evaluate and manage significant risk of the Group.

The Board is assisted by Central Review Risk Committee ("CRRC") in the implementation of risk management processes within the Group. A Risk Management Committee, has also been set up and entrusted with the role of identifying strategic risks and in ensuring the implementation of the mitigation plan are in appropriate way.

The statement of the Company on risk management and internal control system is set out in the Statement on Risk Management and Internal Control on pages 65 to 70 in this Annual Report.

### PRINCIPLE 7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Along with good corporate governance practices, the Group is committed to provide the investors and the public with comprehensive, accurate and material information on a timely basis. In line with this commitment, the company is guided by the Corporate Disclosure Guide issued by Bursa Malaysia Securities Berhad.

The Group through its field of expertise leverages on the use of information technology for effective dissemination of information by maintaining an official website at [www.heitech.com.my](http://www.heitech.com.my) which shareholders or the public can access information and updates on the Group, including public announcements, quarterly results, the Annual Report and also will be updated to include policies, shareholders rights, board charter and code of conduct in its commitment with the recommendations of the Code.

### Poll Voting

Pursuant to paragraph 8.29A (i) of MMLR, the Company is required to ensure that any resolutions set out in the notice of general meetings are voted by poll.

The Company shall be conducting poll voting for all resolutions set out in the Notice of the 23<sup>rd</sup> Annual General Meeting.

### PRINCIPLE 8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

#### Sustainability

The Group is committed to sustainability development. The sustainability objective of the Group is to balance the shareholders' value, the welfare of employees, community and environment in which it operates. Employees' welfare and community services were carried out and organised in several occasions during the financial year. Further details of CSR and sustainability initiatives and activities are set out in Sustainability Report on page 23 of this Annual Report.

Sustainability is paramount to the Group. Sustainability creates business value by building reputation, enhancing the morale of the employee and strengthening competitiveness. The Group adopts and implements sustainable practices which identify new initiatives and potential areas for improvement. Such practices would facilitate the minimisation of negative impacts on the business activities and be consistent with the business objective.

#### Annual General Meeting

The Group recognises the importance of having effective communication with its shareholders at Annual General Meeting. Therefore, the Board allocates time and welcome questions and feedback regarding directions, operations, financials from the shareholders at the General meeting.

The Board has taken initiatives for the Group to publish all relevant information to enable the shareholders to exercise their rights through the Company's website.

## STATEMENT OF CORPORATE GOVERNANCE

### Investors Relations

The shareholders and the public may address their queries regarding the Group to the following persons:

- (i) Siti Shahwana binti Abdul Hamid  
(Group Company Secretary)  
- Tel: 03-8601 3000 or shahwana@heitech.com.my
- (ii) Amir Zahini bin Sahrim  
(Joint Company Secretary)  
- Tel: 03-8601 3000 or amirzahini@heitech.com.my
- (iii) Rosman Mustafa Kamar  
(Stakeholders Communication)  
- Tel: 03-8601 3000 or rosmanmk@heitech.com.my

### COMPLIANCE WITH BEST PRACTICES IN CORPORATE GOVERNANCE

The Board is of the opinion that the Group has principally complied with the Best Practices in Corporate Governance as set out in the Code throughout the financial year 2017 save as explained above. This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 9<sup>th</sup> April 2018.

### ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with paragraph 9.25 of Bursa Malaysia LR.

#### (i) Options, Warrants or Convertible Securities

The Group did not issue any options, warrants or convertible securities during the financial year under review.

#### (ii) Imposition of Sanction/ Penalties

There were no sanctions and/or penalties imposed on the Group and/or its subsidiary companies, Directors or Management arising from any significant breach of rules/guidelines/legislation by the relevant regulatory bodies during the financial year ended 31 December 2017.

#### (iii) Material Contracts

Neither Group and/or its subsidiary companies had entered into any material contracts which involved Directors' and major shareholders' interest during the financial year ended 31 December 2017, save as disclosed under Disclosure to BMSB on pages 71 to 72 of the Annual Report.

#### (iv) Audit and Non-Audit Fees

The amount of audit fees and non-audit fees paid or payable to the external auditors by the Company and the Group for FY2017 are as follows:

	Group (RM)	Company (RM)
Audit fees	483,000	271,000
Non-audit fees	24,000	24,000
Total	507,000	295,000

#### (v) Profit Guarantee

There was no profit guarantee given by the Group during the financial year ended 31 December 2017.

#### (vi) Share Buy Back

There was no share buy back exercise done during the financial year ended 31 December 2017.

## AUDIT COMMITTEE REPORT

The Board of Directors of HeiTech Padu Berhad is pleased to present the Report of the Audit Committee ("Committee") for the financial year ended 31 December 2017 in compliance with paragraph 15.15 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

### COMPOSITION AND MEETINGS

The Committee consists of three (3) Non-Executive Directors of the Company, the majority of whom are independent. The composition of the Committee includes members of the Malaysian Institute of Accountants (MIA) as prescribed in the Accountants Act 1967. Therefore, the requirement of paragraph 15.09(1) of the Listing Requirements of BMSB has been complied with.

The Committee has met seven (7) times during the financial year ended 31 December 2017. The composition of the Committee and the details of their attendance are as follows:

NAME OF COMMITTEE MEMBERS	STATUS OF DIRECTORSHIP	NO. OF MEETINGS ATTENDED
Dato' Haji Ghazali bin Awang <i>Chairman of the Committee</i>	Independent Non-Executive Director	7 out of 7
Syed Agel bin Syed Salim	Non-Independent Non-Executive Director	7 out of 7
Wan Ainol Zilan binti Abdul Rahim	Independent Non-Executive Director	7 out of 7

The Committee meetings were attended by the Management of HeiTech and the Director of Audit & Assurance. External auditors have attended the meeting, upon invitation to brief the Committee on matters pertaining to financial year end audit.

### TERMS OF REFERENCE OF THE COMMITTEE

The Terms of Reference of the Committee are accessible for reference by the public through HeiTech website at [www.heitech.com.my](http://www.heitech.com.my).

### SUMMARY OF WORK OF THE COMMITTEE

During the financial year ended 31 December 2017, the Committee has carried out the following tasks:

#### (a) Financial Reporting

- (i) Reviewed the quarterly financial results prior to recommending for consideration and approval by the Board of Directors;
- (ii) Reviewed the annual audited financial statements to ensure compliance with the Listing Requirements of the BMSB, applicable approved accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board of Directors;
- (iii) Reviewed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements; and
- (iv) Obtained assurance from the Group Chief Executive Officer and Chief Financial Officer that:

## AUDIT COMMITTEE REPORT

- Appropriate accounting policies had been adopted and applied consistently;
- The going concern basis applied in the annual financial statements and quarterly financial statements was appropriate;
- Prudent judgements and reasonable estimates had been made in accordance with Malaysian Financial Reporting Standards ("MFRS");
- Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs and Listing Requirement of BMSB; and
- The annual audited financial statements and the quarterly financial statements did not contain material misstatements and gave a true and fair view of the financial performance and financial position of the Group and the Company for 2017.

### (b) Internal Audit

During the year, the Committee:

- Reviewed and approved the 2017 Annual Internal Audit Plan;
- Reviewed and approved the 2017 KRA/KPIs for the Internal Audit;
- Reviewed and deliberated the Internal Audit reports on significant issues and audit findings, audit recommendations, and management responses and action plans;
- Discussed on action taken to improve the effectiveness of the internal control system in the audit areas;
- Monitored the implementation of audit recommendations to ensure that all key risks and controls issues are being addressed;
- Reviewed the Audit Committee Report, Statement on Risk Management and Internal Control, and Statement on Corporate Governance and recommend to the Board for approval prior to their inclusion in the Annual Report;
- Reviewed Internal Audit performance reports for the financial year to ensure the adequacy of resource requirements, competencies of Internal Audit staff, performance and progress of the Internal Audit function to execute the annual audit plan, achievement and coverage of the Internal Audit function; and

- Appraised the performance of the Director of Audit & Assurance and the measurements of the Internal Audit function against the KRA/KPIs set.

The Chairman of the Committee held private sessions with the Director of Audit & Assurance on audit reports and any internal audit related matters when there were issues of concern.

### (c) External Audit

During the year, the Committee reviewed and recommended to the Board of Directors for approval on the followings:

- The External Auditor's 2017 terms of engagement, audit plan, nature, approach and scope of the audit;
- The audit fees and key audit staff assigned to the audit engagement;
- Issues arising from External Auditor's management letter to the Management, Management's response and External Auditor's evaluation of the Internal Control System;
- The significant accounting and auditing issues arising from the audit and any matters the External Auditors may wish to discuss; and
- The External Auditor's report on Directors' Statement on Risk Management and Internal Control ("SORMIC").

The Committee met with the External Auditors three (3) times in year 2017, of which were held in the absence of Management on 17 February 2017 at 75<sup>th</sup> Audit Committee Meeting, 28 March 2017 at Special Audit Committee Meeting No.02/2017 and 14 November 2017 at 78<sup>th</sup> Audit Committee Meeting to discuss amongst others, audit issues and reservations arising from the audits.

The External Auditors have assured the Committee that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement.



## AUDIT COMMITTEE REPORT

### (d) Related Party Transactions

- (i) Reviewed and discussed reports on Related Party Transactions ("RPT"), Recurrent RPT ("RRPT") and possible Conflict of Interest ("COI") transactions to ensure that all RPT and RRPT were undertaken on an arm's length basis and on normal commercial terms, consistent with the Company's usual business practices and policies, which generally not more favourable than those generally available to the public and other suppliers and are not detrimental to the minority shareholders;
- (ii) Monitored the threshold of the RPT and RRPT to ensure compliance with the Listing Requirements of BMSB;
- (iii) Reviewed and recommended to the Board of Directors for approval, the Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for the Company and the Group to enter into RRPT of revenue or trading nature with related parties; and
- (iv) Monitored the related party transactions entered by the Company and the Group pursuant to shareholders' mandate obtained at the Annual General Meeting.

### (e) Annual Reporting

The Committee reviewed and recommended to the Board of Directors for approval, the disclosures on the Statement of Corporate Governance, Audit Committee Report and Statement on Risk Management and Internal Control for the financial year ended 31 December 2017 for inclusion in the 2017 Annual Report to ensure that they were prepared in compliance with relevant regulatory requirements and guidelines.

### STATE OF INTERNAL CONTROL

The Statement on Risk Management and Internal Control furnished on pages 65 to 70 of the annual report provides the overview of the state of internal controls within the Group.

### RELATIONSHIP WITH THE EXTERNAL AUDITORS

The Group through the Committee has established transparent and appropriate relationship with the External Auditors in order to meet their professional requirements. Key features underlying the relationship of the Committee with the External Auditors are included in the Audit Committee's Terms of Reference. Meetings are held to discuss the findings of the External Auditors and to finalize the results of the audited financial statements.

### SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

HeiTech has an in-house Internal Audit function carried out by the Audit & Assurance Department ("AA"). The principal responsibilities are to evaluate and improve the effectiveness of risk management, internal control and governance processes. This is accomplished through a systematic approach of regular reviews and appraisals of the management, internal control and governance processes based on the audit plan that is approved by the Committee annually. This will provide the Board of Directors with assurance it requires regarding the adequacy, integrity and effectiveness of the system of internal control.

AA is headed by the Director of Audit & Assurance, Encik Ahmad Kamal bin Mohd Kassim who reports to the Audit Committee. He is a Chartered Member of The Institute of Internal Auditors Malaysia. He is also a Chartered Accountant of The Malaysian Institute of Accountants and holds a Bachelor Degree in Accountancy (Honours). He has more than 20 years' experience in the areas of internal auditing, business process improvement, enterprise risk management and corporate governance assurance.

The Terms of Reference of the Internal Audit function are clearly spelt out in the Audit Charter that defines the roles, responsibilities, accountability and scope of work of the Department. AA had operated and performed in accordance to the principles of the Audit Charter that provides for its independence function.

Internal Audits are carried out throughout the Group to ensure consistency in the application of policies and procedures within the Company and the Group. AA independently reviews the internal control processes (financial, operational and IT controls) implemented by the Management.

## AUDIT COMMITTEE REPORT

A detailed 2017 Annual Internal Audit Plan was presented to the Committee for approval. The Internal Audit function adopts risks-based approach following COSO (Committee of Sponsoring Organisation of The Treadway Commission) as the Control Framework for financial and operational activity, and COBIT (Control Objectives for Information and Related Technology) for IT related audit, and prepares its audit strategy and plan based on the risk profiles of the major business units and support functions of the Group.

AA has a total of 7 staff as at 31 December 2017. The total operation cost of the department for 2017 was RM753,440 comprising of mainly salaries, travelling expenses, administrative and training.

The Internal Audit assignments conducted in 2017 comprising operational and management audit, IT security and infrastructure audit and project management and compliance audit. The audits covered various operational areas, projects undertaken, subsidiary companies and support functions. The corresponding audit reports were presented to the Management and Committee for attention, deliberation and corrective actions.

During the financial year, AA had undertaken the following activities:

- (a) Prepared the 2016 Annual Internal Audit Performance Report for review by the Committee;
- (b) Prepared the 2017 KRA/KPIs for approval by the Committee;
- (c) Prepared the 2017 Annual Internal Audit Plan for the approval of the Committee;
- (d) Implemented the approved 2017 Annual Internal Audit Plan;
- (e) Assessed the adequacy and effectiveness of internal control systems within the Company and the Group;
- (f) Examined and evaluated the adequacy, effectiveness and efficiency of all financial and operational control within the Company and the Group;
- (g) Ascertained the adequacy of controls for safeguarding the assets of the Company and where applicable, verify the existence of the assets owned by the Company and the Group;
- (h) Reviewed the Related Party Transactions (RPT) arise within the Company and the Group on a quarterly basis;

- (i) Provided reporting and recommendations to the Management of the Company and/or the Committee and the Board of Directors on the outcome of the audits;
- (j) Conducted follow up audits to ensure effective and timely resolution of audit issues;
- (k) Conducted ad-hoc audits upon request by the Committee and Management of the Company;
- (l) Organized training programs for Internal Auditors to enhance their audit skills and knowledge; and
- (m) Kept the Committee informed of the progress of audit activities.

This Audit Committee Report is made in accordance with the resolution of the Board of Directors dated 9 April 2018.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

### INTRODUCTION

Principle B (II) of the Malaysian Code on Corporate Governance 2017 ("Code") states that the Board of Directors is responsible for the Company's risk management and internal control systems. It should set appropriate policies on internal control and seek assurance that the systems are functioning effectively. In compliance with the provision of Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements Paragraph 15.26 (b) and Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers ("Risk Management and Internal Control Guidance"), HeiTech Padu Berhad's ("HeiTech") Board of Directors ("the Board") is committed to establish a sound risk management framework and internal control system, and is pleased to present the following Statement on Risk Management and Internal Control ("SORMIC"), which illustrates the risk management framework and scope of the internal control structure during the year under review.

### BOARD RESPONSIBILITY

The Board acknowledges its responsibility for a sound risk management framework and internal control system to safeguard shareholders' investments and the Group's assets. The Board is overall responsible for the key elements needed in maintaining a sound system of risk management and internal control in HeiTech. The system is being reviewed regularly to ensure it remains relevant, effective and applicable to the changes in the Group's structure, processes and dynamic business environment. The risk management framework and internal control systems cover, inter alia, financial, organisational, operational, project and compliance controls. As there are limitations that are inherent in any risk management and internal control systems, these systems are designed to manage rather than eliminate risks of failure to achieve the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement, financial loss or fraud.

HeiTech's risk management and internal control systems do not apply to its associated companies and joint controlled entities, which fall within the control of their majority shareholders. The interests of HeiTech are served through representation on the Board of the respective companies. These representations provide

the Board with information for strategic decision making in view of the continuity of the Group's investment.

The Board confirms that there is an ongoing process of identifying, evaluating and managing all significant risks faced by the Group and is satisfied with the adequacy, effectiveness and integrity of the Group's risk management and internal control system for the year under review.

### RISK MANAGEMENT

The Board is responsible to ensure the implementation of appropriate systems to manage risks. The risk management framework, which is embedded in the management systems of the Group, clearly defines the authority and accountability in implementing the risk management process and internal control system. The Management assists the Board in implementing the process of identifying, evaluating and managing significant risks applicable to their respective areas of business and in formulating suitable internal controls to mitigate and control these risks.

The Management of each business units are responsible for managing risks within their respective areas of responsibilities and are required to conduct risk reviews on a quarterly basis to identify and document all possible risks that can affect their achievement, taking into consideration the effectiveness of controls that are capable of mitigating such risks.

During the year, significant risks of business units were presented to the Risk Management Committee ("RMC") on quarterly basis for their deliberation.

HeiTech's Risk Management Framework comprised the following three main components:

#### (a) Enterprise Risk Management (ERM) Process

The Group's key risk profile was developed by the Management. Risks identified were assessed in terms of the possibility of occurrence and the impact to the Group if the risk materialise. Progress updates on the mitigation measures will be furnished on quarterly basis by risk owners for deliberation at the Central Risk Review Committee ("CRRC"). CRRC will assess the adequacy and effectiveness of the mitigation measures and further enhanced where necessary.

## STATEMENT ON RISK MANAGEMENT &amp; INTERNAL CONTROL

**(b) Risk Management Committee ("RMC")**

RMC was established by the Board to signify the Group's commitment in further enhancing our risk management system. RMC is responsible for the overall oversight, implementation and monitoring of the Group-wide Enterprise Risk Management (ERM) Framework. Details of the members of the Committee are furnished in the Statement on Corporate Governance at page 52 of the Annual Report.

**(c) Business Continuity Management ("BCM")**

The Management has embedded BCM into organisational culture which reflects our commitment in:

- Ensuring the survivability of the organisation and continuity of core business functions during disaster;
- Protecting corporate assets and controlling financial loss;
- Minimising the loss of customers;
- Facilitating the resumption of operations;
- Improving the ability to salvage damaged equipment and operations; and
- Providing safety of employee and the public before, during, and after a disaster;

For the financial year ended 31 December 2017, the main activities of the BCM include the followings:

- (i) Disaster Recovery tests for systems at HeiTech Village were carried out from 13 March to 17 March 2017.
- (ii) Disaster Recovery test for systems at HeiTech Village 2 was done on the following dates:
  - 24 January 2017 to 26 January 2017
  - 29 May 2017 to 31 May 2017
  - 28 November 2017 to 30 November 2017
- (iii) The Network tests were carried out as follows:
  - Network trunk redundancy test on 11 May 2017
  - Network Kota Kinabalu node test on 15 July 2017
  - Network Management Systems (NMS) Stablenet test on 16 September 2017
  - Cisco Access Registrar system which is used for authentication of the CE router on 26 September 2017
- (iv) Fire Drill session at HeiTech Village 2 on 17 February 2017

Our commitment towards continuous improvement in employee knowledge and readiness, basic Occupational Fire Fighting training for the Emergency Response Team was conducted from 2 November to 3 November 2017.

**INTERNAL CONTROL**

The Board is committed in maintaining an effective control structure and environment for the proper conduct of business operations. The following key Internal Control Structures were implemented to ensure effective control environment and provide key elements needed in maintaining a sound internal control that compliments the ERM framework:

**(a) Board Committee**

- Various Board Committees were established that are administered by defined terms of reference:
  - (i) The Audit Committee;
  - (ii) The Risk Management Committee;
  - (iii) The Nomination and Remuneration Committee;
  - (iv) The Employee Share Option Scheme ("ESOS") Committee; and
  - (v) The Voluntary Separation Scheme ("VSS") Committee

**(b) Board and Management Meetings**

- Board meetings review and deliberate the whole spectrum of the Group's business strategies, directions, challenges and financial statements.
- Management Committee meetings review the Group's operation, business and financial performance, execution of Group's strategic decisions, implementation of Quality Management System and business processes in ensuring that overall Group operation are effectively managed and operated.
- Central Risk Review Committee meetings deliberate risks with the Risk Officers on a quarterly basis. The Committee is also responsible for implementation and improvement of the ERM within HeiTech.
- Innovation Appraisal Committee meetings appraise and evaluate any innovation investment initiatives prior to presentation to the Board. It also covers the appraisal of the registration of Intellectual Properties.



## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- Project Steering Committee meetings monitor the projects' performance and implementation.
- Central Review Committee meetings review and evaluate business proposals to ensure that strategic solution, strategic pricing and strategic partnership (with customers and various types of partners) are appropriately considered.
- Procurement Committee meetings administer and manage the procurement acquisition processes and approval.
- Business Review meetings appraise HeiTech's business and operational achievements against the business objectives and targets.

### (c) Audit Committee

- The Audit Committee regularly reviews, on behalf of the Board, internal control issues reported by the Internal Auditors and External Auditors, including any significant internal control issues affecting the financial statements.
- Further details of the activities undertaken by the Audit Committee are set out in the Audit Committee Report.

### (d) Internal Audit (Audit & Assurance)

- The internal audit function in HeiTech is carried out by the Audit & Assurance Department ("AA"). AA operates independently and reports directly to the Audit Committee. In providing independent and impartial appraisal, the internal auditors are given full, free and unrestricted access to all records, information and other relevant resources within the Group.
- AA provides independent assessment on HeiTech's internal control systems and attends ad-hoc audit review as and when requested by the Audit Committee and Management. The results of all audit exercises including follow up audit report will be tabled and deliberated in the Audit Committee Meeting.
- Defined KRA/KPIs for the AA was established to manage and oversee the Group operational, strategic and compliance auditing activities during the year under review.
- Details on the activities undertaken by AA are set out in the Audit Committee Report on page 61.

### (e) Limits of Authority

- Limits of Authority outlines the authorised signatories' authority in contractual, financial and procurement approvals and execution.

### (f) Policies and Procedures

- The policies and procedures adopted by all support departments under Corporate Service are dully certified under SIRIM MS ISO 9001:2015 and subject to internal quality audit and annual surveillance audit by SIRIM.
- For key business activities such as project management and application development, HeiTech adopts Capability Maturity Model Integration (CMMI®) as process model framework. All project documentations are stored in the central project repository.

### (g) Quality Management Systems, Certification and Standards

- HeiTech successfully upgraded its Quality Management System ("QMS") certifications in August 2017 from MS ISO 9001:2008 to MS ISO 9001:2015. The scope of certification covers:
  - Provision of management and corporate services to the business groups/ operating divisions/ companies of HeiTech Padu Berhad which include Legal Services, Human Resources Management, Competency Development & Training, Procurement Services, Project Monitoring & Compliance, Property Management & Administration, Finance Services and Corporate Communication;
  - Provision of Network Services (front end and back end): WAN Installation and Maintenance Services and LAN Installation and Maintenance Services;
  - Account Management of HeiTech Managed Services Sdn. Bhd.;
  - Provision of Help Desk Support Services (Call Centre Operation);
  - Provision of Data Centre Operations for PNB;
  - Application development project – Clinical Documentation for Hospital Raja Permaisuri Bainun, Ipoh; and
  - Maintenance project – Jabatan Pendaftaran Negara.



## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- ii. Achieved and conform to the ISO/IEC 27001:2013 Information Security Management System ("ISMS") certification since 2006 for services provided by HeiTech Managed Services (HMS). The scope of certification covers:
  - Padu\*Net Nodes Infrastructure;
  - Business Recovery Management Services;
  - Internet Data Center Services;
  - Desktop Management Services; and
  - Call Center Operations Services.
- iii. Achieved and conform to the ISO/IEC 20000-1:2011 Service Management System ("SMS") certification since 2010 for services provided by HeiTech Managed Services (HMS). The scope of certification covers:
  - Wide Area Network Services (WAN);
  - Wide Area Network Services (WAN);
  - Local Area Network Services (LAN);
  - Desktop Management Services (DMS);
  - Data Center Services (DCS); and
  - Helpdesk Support Services.
- iv. Internal Quality audits and follow up audits were performed on all QMS, ISMS and SMS scopes by certified internal auditors. An annual surveillance audit and a re-certification audit in every three (3) years will be carried out by SIRIM QAS International on these certifications.
- v. The Data center in HeiTech Village 2 is Tier IV ready, in accordance to the Telecommunication Industry Association – Telecommunications Infrastructure Standards (TIA 942) for Data Centers on the following components:
  - Mechanical (cooling system);
  - Mechanical (cooling system);
  - Electrical (based on Uptime);
  - Architectural (civil & structures); and
  - Network (connectivity for WAN & LAN)
- vi. Achieved PCI DSS certification in January 2017 for services provided by HeiTech Managed Services. The PCI DSS is a proprietary information security standard for organizations that handle branded credit cards from the major card schemes including Visa and MasterCard. The PCI DSS provides a baseline of technical and operational requirements for hosting credit card handling organisations. PCI DSS applies to all entities involved in payment card processing

which include merchants, processors, acquirers, issuers, and service providers. The scope of HeiTech Managed Services as the Service Provider for this certification covers:

- Physical Security for Hosting & Co-Location which focus on Requirement 9 (Implement Strong Access Control Measures); and
- Requirement 12 (Maintain Information Security Policy).

An annual Surveillance Audit will be carried out by ControlCase LLC, the Qualified Security Assessor Company which is based in USA.

- vii. The Capability Maturity Model Integration (CMMI®) is currently assessed and maintained at Maturity Level 3. CMMI is a "process model framework" for process-improvement developed by Software Engineering Institute (SEI). It is a structured and systematic collection of best practices for improving processes that paves the way for better operations and performance. The adoption of structured methodologies for IT Projects, which includes HeiTech's Project Management Information System ("PROMISE") and Application Development Information System ("ADVISE") provides guidance for improving the organization's processes and ability to manage the development, acquisition and maintenance of products and services. Process compliance assessment is continuously being carried out on a monthly basis to assess the compliance level and necessary action(s) for improvement. The maturity level of the organization is assessed once every three (3) years to evaluate the compliance and measure the effectiveness of specific practices of process areas as specified in CMMI Process Model Framework.
- viii. Achieved Test Maturity Model Integration ("TMMi") certification, assessed at Maturity Level 3 in 2017. Based on this initiative, HeiTech has come out with Product Evaluation for Compliance Information System ("PRECISE") which encapsulates our software testing process and has been included as one of its structured methodology. TMMI and PRECISE are being championed by PSG Data Sdn. Bhd, wholly owned subsidiary of HeiTech.



## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

### h) Defined Business Process & Improvement

- Process Improvements and Compliance Assessment initiatives are continuously instituted throughout the HeiTech Group as part of the internal control framework. They are designed to manage risks that may affect the achievement of business objectives and review the changes in the business environment or regulatory guidelines from time to time.
- Defined business processes of HeiTech are made available online through <http://ipractices.heitech.com.my/hdp/>

### i) Strategic Planning

- Prepare business plan of HeiTech and consolidates business plan for all HeiTech Group of Companies. The business plan will be presented, deliberated and approved by the Board of HeiTech.
- Reviews and consolidates the Operational Masterplan for all HeiTech Group of Companies in order to monitor and review the Company's performance to ensure that they will meet the target.
- CEO Forum as the avenue to discuss and streamline the group synergy initiatives. Besides that, it is also used to provide information on any changes to the corporate policy and any other operational matters.
- Mid-Year Review and Business Planning Session to review the Companies' performance and strategic direction.

### j) Human Capital Development and Training

A Performance Management mechanism is established based on both Balanced Scorecard System ("BSC") and Competency Assessment & Development ("CAD"). The BSC is defined from top-down where business objectives are clearly defined and targets are set for individual staff. Staff are also appraised through CAD system where individual competencies are evaluated against the required job skill, hence identifying the gap on skill of the staff. Formal training programs are planned annually to ensure the Board, Management and staff are adequately trained and competent. Relevant policies and procedures are in place as proper guideline to the process.

### k) Legal and Regulatory Compliance

- Defined processes, procedures and monitoring mechanism govern the practice and performance of contractual formulation and review.
- Keeping vigilance of any domestic and international legal and regulatory compliance matters that may affect the Group's business operations.

### l) Communication Management and Corporate Communications Policy

- Communication has always been an integral part of the Group in order to provide a clear direction for the staff to deliver high quality services and exceptional values to stakeholders. The Group has established and conducted various communication channels to effectively disseminate key messages in a timely manner and to the right audience. Among the channels established are staff portal and internal newsletter for internal communications, town hall as well as annual report, corporate website, print and electronic media for external communications.
- A Corporate Communication Policy is in place to ensure that communications across the Group is effectively managed and controlled to fulfil the needs of the organisation and stakeholders.

### m) Whistleblowing Policy and Guidelines

- The Group has a Whistleblowing Policy and Guidelines ("WBP") that serves as an official channel for each employees and people performing service for HeiTech to raise their concern in a secured and confidential manner.
- An overview of the WBP is made available in HeiTech's website and HeiTech's Employee Self Service Portal.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

### ASSURANCE FROM MANAGEMENT

In accordance with the Statement on Risk Management & Internal Control – Guidelines for Directors of Listed Issuers, the Board has received assurance from the Group Chief Executive Officer and Chief Financial Officer that to the best of their knowledge the risk management and internal control of HeiTech Group are operating effectively and adequately, in all material respects, based on the risk management and internal control framework adopted by HeiTech Group.

For the financial year under review, the Board is satisfied that there were no material losses, contingencies or uncertainties incurred as a result of weaknesses in the systems of internal control. The Management continues to take measures to strengthen the risk management and internal control structure.

As required by Paragraph 15.23 of Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors, Messrs. Hanafiah Raslan & Mohamad have reviewed this SORMIC and based on the review performed, nothing has come to their attention that causes them to believe that the SORMIC intended to be included in the annual report is not prepared in all material aspects, in accordance with the disclosures required by Paragraph 41 and 42 of the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers nor is the SORMIC factually inaccurate.

This Statement is made in accordance with the resolution of the Board of Directors dated 9 April 2018.



## DISCLOSURE TO BURSA MALAYSIA

NO.	DATE	ANNOUNCEMENT
1.	09 Mar 2018	Contract (Agreement) between Permodalan Nasional Berhad and HeiTech Padu Berhad for Outsourcing of IT Services which consist of; Application Services, Data Centre Services, Disaster Recovery Services, Desktop Management Services, and Helpdesk Services
2.	27 Feb 2018	Quarterly rpt on consolidated results for the financial period ended 31/12/2017
3.	30 Jan 2018	Change in Boardroom - Puan Amizar Binti Mizuar
4.	29 Dec 2017	Change In Boardroom - Dato Dr Mohamed Ariffin Bin Aton
5.	23 Nov 2017	Acceptance of Letter of Award for Supply, Rental, Implementation, Training Support, and Maintenance of Security Infrastructure for Companies Commission of Malaysia
6.	22 Nov 2017	Quarterly rpt on consolidated results for the financial period ended 30/09/2017
7.	30 Oct 2017	Acceptance of Letter of Award for The Perkhidmatan Penyelenggaraan Sistem Aplikasi myIMMS Jabatan Imigresen Malaysia (JIM)
8.	23 Oct 2017	Acceptance of Letter of Award for Design, Supply, Delivery, Installation, Commissioning and Completion of Mechanical and Electrical Works for 132kv Switching Substation (Site B - TNB) and 33/132kv Step-Up Substation (Site B - GKD) for Cadangan Pembangunan Infrastruktur bagi Menyediakan Bekalan Tenaga Elektrik dari Sumber Tenaga Boleh Baharu di Atas Lot 31474, Mukim Bidor, Daerah Batang Padang, Perak Darul Ridzuan ("Project") Untuk Tetuan Gading Kencana Development Sdn Bhd ("Client")
9.	17 Oct 2017	Acceptance of Letter of Awards and Notice to Proceeds for the Appointment of Duta Technic Sdn Bhd (a subsidiary company of HeiTech Padu Bhd) by Scatec Solar Solutions Malaysia Sdn Bhd (a company of Scatec Solar ASA Norway) for the Establishment of High Voltage (HV) Interconnection Facility for Solar Power Plant at Gurun Kedah, Jasin Melaka and Merchang Terengganu.
10.	24 Aug 2017	Quarterly rpt on consolidated results for the financial period ended 30/06/2017
11.	20 Jun 2017	General Meetings: Outcome of Meeting
12.	19 Jun 2017	Acceptance of Letter of Award for The Supply, Delivery, Installation, Configuration, Integration, Testing and Commissioning of Hardware, Software, and Network Equipment for The Implementation of Picture Archiving and Communication System (PACS) and to Improve The Radiology Module, Sistem Pengurusan Pesakit (SPP) in Hospital Raja Perempuan Zainab II, Kota Bharu, Kelantan
13.	19 Jun 2017	Re-appointment of Directors who were subject to Section 129 of the Companies Act, 1965
14.	14 Jun 2017	Quarterly rpt on consolidated results for the financial period ended 31/12/2016
15.	28 Feb 2017	Quarterly rpt on consolidated results for the financial period ended 31/12/2016
16.	13 Jun 2017	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
17.	09 Jun 2017	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
18.	08 Jun 2017	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD

## DISCLOSURE TO BURSA MALAYSIA

NO.	DATE	ANNOUNCEMENT
19.	29 May 2017	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
20.	26 May 2017	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
21.	25 May 2017	Quarterly rpt on consolidated results for the financial period ended 31/03/2017
22.	24 May 2017	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
23.	19 May 2017	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
24.	17 May 2017	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
25.	15 May 2017	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
26.	11 May 2017	Changes in Sub. S-hldr's Int. (29B) - PERMODALAN NASIONAL BERHAD
27.	09 May 2017	Changes in Sub. S-hldr's Int. (29B) - PERMODALAN NASIONAL BERHAD
28.	08 May 2017	Changes in Sub. S-hldr's Int. (29B) - PERMODALAN NASIONAL BERHAD
29.	05 May 2017	Changes in Sub. S-hldr's Int. (29B) - PERMODALAN NASIONAL BERHAD
30.	28 Apr 2017	Circular to Shareholders in relation to the Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.
31.	28 Apr 2017	Changes in Sub. S-hldr's Int. (29B) - PERMODALAN NASIONAL BERHAD
32.	28 Apr 2017	Annual Report - 2016
33.	28 Apr 2017	Annual Audited Accounts - 31 Dec 2016
34.	28 Apr 2017	HTPADU - Notice of Book Closure
35.	27 Apr 2017	First and Final Dividend
36.	27 Apr 2017	General Meetings: Notice of Meeting





# FINANCIAL STATEMENTS

74	Directors' Report
80	Statement by Directors Pursuant to Section 251(2) of the Companies Act 2016
80	Statutory Declaration Pursuant to Section 251(1)(B) of the Companies Act 2016
81	Independent Auditors' Report
87	Statements of Comprehensive Income
89	Statements of Financial Position
91	Statements of Changes in Equity
93	Statements of Cash Flows
96	Notes to the Financial Statements

## DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of systems integration, network related services, data centre management, disaster recovery services and other information technology related services. Under the Communications and Multimedia Act (CMA) 1998 Framework, the provision of network related services and internet data centre services are licensed as Network Services Provider Individual License (NSP (i)) and Application Service Provider Class License (ASP (c)) respectively.

Other information relating to the subsidiaries are described in Note 15 to the financial statements.

<b>Results</b>	<b>Group RM'000</b>	<b>Company RM'000</b>
Loss for the year	(15,346)	(18,152)
Loss attributable to:		
Owners of the parent	(13,998)	(18,152)
Non-controlling interests	(1,348)	-
	(15,346)	(18,152)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

### DIVIDENDS

The amount of dividends paid by the Company since 31 December 2016 were as follows:

	<b>RM'000</b>
In respect of the financial year ended 31 December 2016:	
Single-tier final dividend of 5% on 101,225,300 ordinary shares declared on 20 June 2017 and paid on 15 September 2017	5,061

The directors do not recommend the payment of any dividend in respect of the current financial year.

**DIRECTORS' REPORT (CONT'D.)****DIRECTORS**

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Sri Mohd Hilmey bin Mohd Taib \*\*

Dato' Haji Ghazali bin Awang \*\*

Dato' Mohd Fadzli bin Yusof \*\*

Tan Sri Abi Musa Asa'ari bin Mohamed Nor \*\*

Tuan Syed Agel bin Syed Salim \*\*

Sulaiman Hew bin Abdullah \*\*

Wan Ainal Zilan binti Abdul Rahim \*\*

Dato' Dr. Mohamed Ariffin bin Aton \*\*

(Resigned on 31 December 2017)

Amizar Binti Mizuar \*\*

(Appointed on 30 January 2018)

\*\* *These directors are also directors of the Company's subsidiaries.*

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Abdul Halim bin Md. Lassim

Abdul Rahim bin Osman

Abdullah bin Ahmad

Ahmad Fathony Zakaria

Mohd Din bin Merican

Sharkawi bin Alis

Zohan Zuki Bin Mohd Zuki

Ahmad Nasrul Hakim bin Mohd Zaini

***DIRECTORS' REPORT (CONT'D.)*****DIRECTORS (CONT'D.)**

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed in the previous page) are (cont'd.):

Amiruddin bin Abdul Aziz

Azhar Bin Ismail

Darren Cheong Ming Hoe

Harris Bin Ismail

Iwan Wirawan

Mamat Ariffin bin Abdullah

Omar bin Che Mad

Safiee bin Mohammad

Salmi Nadia binti Mohd Hilmey

Wan Zaidi bin Wan Jaafar

(Resigned on 14 November 2017)

Mohammad Sultan S. B. bin Abdul Majeed

(Resigned on 30 November 2017)

Ahmad bin Abdul Ghani

(Resigned on 28 February 2018)

**DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

The directors' benefits are as follows:

	<b>Group RM'000</b>	<b>Company RM'000</b>
Fees	412	297
Other emoluments	1,207	1,148
	<b>1,619</b>	<b>1,445</b>

The Company has agreed to indemnify its directors as part of the terms of their appointment against claims by third parties. No payment has been made to indemnify the directors for the financial year ended 31 December 2017.

**DIRECTORS' REPORT (CONT'D.)****DIRECTORS' INTERESTS**

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in ordinary shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	1 January 2017	Bought	Sold	31 December 2017
<b>The Company</b>				
<b><i>Direct interest</i></b>				
Dato’ Sri Mohd Hilmey bin Mohd Taib	<b>7,820,184</b>	-	-	<b>7,820,184</b>
Tuan Syed Agel bin Syed Salim	<b>12,500</b>	-	-	<b>12,500</b>
<b><i>Indirect interest</i> *</b>				
Dato’ Sri Mohd Hilmey bin Mohd Taib	<b>30,521,028</b>	-	<b>191,028</b>	<b>30,330,000</b>

\* Held through Padujade Corporation Sdn. Bhd.

**HeiTech Academy Sdn. Bhd.**  
- a fellow subsidiary

**Direct interest**

Dato' Sri Mohd Hilmey bin Mohd Taib	<b>1</b>	-	-	<b>1</b>
-------------------------------------	----------	---	---	----------

Dato' Sri Mohd Hilmey bin Mohd Taib by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in ordinary shares in the Company or its related corporations during the financial year.



*DIRECTORS' REPORT (CONT'D.)***OTHER STATUTORY INFORMATION**

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

*DIRECTORS' REPORT (CONT'D.)***AUDITORS**

The auditors, Hanafiah Raslan & Mohamad, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	<b>Group RM'000</b>	<b>Company RM'000</b>
Hanafiah Raslan & Mohamad	401	295
Other auditors	106	-
	507	295

To the extent permitted by law, the Company has agreed to indemnify its auditors, Hanafiah Raslan & Mohamad, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Hanafiah Raslan & Mohamad for the financial year ended 31 December 2017.

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 April 2018.

**Dato' Sri Mohd Hilmey bin Mohd Taib**

**Dato' Haji Ghazali bin Awang**

*DIRECTORS' REPORT (CONT'D.)***STATEMENT BY DIRECTORS****PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Dato' Sri Mohd Hilmey bin Mohd Taib and Dato' Haji Ghazali bin Awang, being two of the directors of HeiTech Padu Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 87 to 176 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 April 2018.

**Dato' Sri Mohd Hilmey bin Mohd Taib****Dato' Haji Ghazali bin Awang****STATUTORY DECLARATION****PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016**

I, Ahmad Nasrul Hakim bin Mohd Zaini, being the officer primarily responsible for the financial management of HeiTech Padu Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 87 to 176 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
the abovenamed Ahmad Nasrul Hakim bin Mohd Zaini  
at Kuala Lumpur in Wilayah Persekutuan  
on 9 April 2018.

**Ahmad Nasrul Hakim bin Mohd Zaini**

Before me,

## INDEPENDENT AUDITORS' REPORT

to the members of HeiTech Padu Berhad (Incorporated in Malaysia)

### Report on the audit of the financial statements

#### **Opinion**

We have audited the financial statements of HeiTech Padu Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 87 to 176.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### **Basis for opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Independence and other ethical responsibilities**

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

## INDEPENDENT AUDITORS' REPORT

to the members of HeiTech Padu Berhad (Incorporated in Malaysia) (cont'd.)

### Key Audit Matters (cont'd.)

#### Revenue and cost of sales from long-term contracts

A significant proportion of the Group's and of the Company's revenue and cost are derived from long-term contracts which spans more than one accounting period. For the financial year ended 31 December 2017, long-term contracts revenue of RM146 million and cost of RM125 million accounted for approximately 34% and 28% of the Group's revenue and cost of operations respectively, while long-term contracts revenue of RM66 million and cost of RM51 million accounted for approximately 22% and 15% of the Company's revenue and cost of operations respectively. The Group and the Company use the percentage-of-completion method in accounting for these long-term contracts.

We identified revenue and cost from long-term contracts activities as area requiring audit focus as significant management's judgement and estimates are involved in estimating the total contract costs (which is used to determine the percentage of completion and gross profit margin of the long-term contracts activities undertaken by the Group and the Company).

To address this area of audit focus, we performed, amongst others, the following procedures:

- Obtained an understanding of the internal controls over the accuracy and timing of revenue recognized in the financial statements, including controls performed by management in estimating the total long-term contracts cost, profit margin and percentage-of-completion of these activities;
- Read significant long-term contracts to obtain an understanding of the specific terms and conditions;
- Evaluated the assumptions applied in estimating the total contract cost for significant long-term contracts activities by examining documentary evidence such as letters of award issued to contractors, material quotation from suppliers to support the total budgeted cost;
- Evaluated the determination of percentage-of-completion by examining supporting evidence such as contractors' progress claims and suppliers' invoices;
- Considered the historical accuracy of management's forecasts for the similar contracts in assessing the reasonableness of the estimated total contract costs;
- Discussed the progress of the long-term projects with management, finance personnel and project officials and examined physical progress reports;
- Agreed contract revenue to the original signed customer contracts and/or approved change orders; and
- Directed and supervised the work of the component auditor related to the revenue and cost from long-term contracts.

Refer to significant accounting judgements and estimates in Note 3.2(a) and the disclosure of amount due from/(to) customers on contracts in Note 23 to the financial statements.

#### Impairment assessment of (i) goodwill and (ii) investments in subsidiaries

##### **(i) Goodwill**

The Group's goodwill balances as at 31 December 2017 is RM12.1 million, which represents 3% of total assets and 8% of total equity is subject to annual impairment testing.

The Group's goodwill is allocated to 4 groups of cash generating units (CGUs). The Group estimated the recoverable amount of all its CGU based on value-in-use ("VIU") method, except for two CGUs which are based on fair value less cost to sell. Estimating the value-in-use of the CGU involves estimating the future cash inflows and outflows that will be derived from its CGU, and discounting them at an appropriate discount rate. Estimating the fair value less cost to sell of certain CGUs is based on best information available from an independent third party.





**INDEPENDENT AUDITORS' REPORT**  
*to the members of HeiTech Padu Berhad (Incorporated in Malaysia) (cont'd.)*

**Key Audit Matters (cont'd.)**

*Impairment assessment of (i) goodwill and (ii) investments in subsidiaries (cont'd.)*

**(ii) Investments in subsidiaries**

The Company's investments in subsidiaries as at 31 December 2017 is RM44.5million, which represents 11% of total assets and 37% of total equity of the Company. Similarly, we focused on impairment assessment of investments in subsidiaries when there are indications of impairment. The impairment testing relies on VIU method based on estimated future cash inflows and outflows.

The aforementioned impairment review give rise to an impairment loss of goodwill of RM5.7million (Group) and an impairment loss of investments in subsidiaries of RM9.9million (Company) which has been recognized in the statements of comprehensive income for the year ended 31 December 2017.

In reviewing the value-in-use method of the CGUs, the areas that involved significant audit effort and judgement were the assessment of management's assumptions used in cash flow projections that are affected by future market and economic conditions.

Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. These procedures included:

- Challenging the cash flow assumptions used, in particular the estimated revenue growth and gross profit margin with comparison to recent performances, trend analysis and market expectations;
- Reviewing the robustness of management's budgeting process by comparing the actual results against previously forecasted budgets;
- Assessing the appropriateness of the key assumptions in particular the discount rates and long term growth rates against those used by management; and
- Performing sensitivity analysis around the key drivers of the cash flow projections, including discount rates and long term growth rates and challenged management on the outcome of the assessment.

In reviewing the fair value less cost to sell of the CGUs, our procedures included, amongst others, considering the independence, reputation and background of the third party and reviewed the appropriateness of the value from the perspective of an arm's length transaction.

We further assessed the adequacy and appropriateness of the disclosures concerning goodwill.

*Refer to the significant accounting judgements and estimates in Note 3.2(b), Note 3.2(c) and the disclosure of goodwill and investments in subsidiaries in Note 14 and Note 15 to the financial statements.*

## INDEPENDENT AUDITORS' REPORT

*to the members of HeiTech Padu Berhad (Incorporated in Malaysia) (cont'd.)*

### **Information other than the financial statements and auditors' report**

The directors of the Company are responsible for the other information. The other information comprises the Directors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the other information included in the Group's annual report for the financial year ended 31 December 2017, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information included in the Group's annual report for the financial year ended 31 December 2017, if we conclude that there is material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

### **Responsibilities of the directors for the financial statements**

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## **INDEPENDENT AUDITORS' REPORT**

*to the members of HeiTech Padu Berhad (Incorporated in Malaysia) (cont'd.)*

### **Auditors' responsibilities for the audit of the financial statements (cont'd.)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **INDEPENDENT AUDITORS' REPORT**

*to the members of HeiTech Padu Berhad (Incorporated in Malaysia) (cont'd.)*

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

### **Other matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### **Hanafiah Raslan & Mohamad**

AF: 0002

Chartered Accountants

Kuala Lumpur, Malaysia

9 April 2018

#### **Nik Rahmat Kamarulzaman bin Nik Ab. Rahman**

No. 01759/02/2020 J

Chartered Accountant

## STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	4	<b>426,872</b>	362,588	<b>305,902</b>	298,418
Other income	5	<b>8,448</b>	10,743	<b>18,576</b>	28,528
Employee benefits expense	6	<b>(100,579)</b>	(91,172)	<b>(13,711)</b>	(17,927)
Purchase of hardware and software		<b>(67,529)</b>	(58,889)	<b>(25,123)</b>	(17,100)
Lease line rental		<b>(32,356)</b>	(38,795)	<b>(54,608)</b>	(65,844)
Maintenance costs		<b>(51,872)</b>	(24,336)	<b>(134,468)</b>	(116,970)
Bulk mailing processing charges		<b>(13,043)</b>	(13,414)	-	-
Project implementation costs		<b>(105,904)</b>	(48,417)	<b>(82,463)</b>	(78,076)
Depreciation	9	<b>(11,654)</b>	(11,392)	<b>(8,811)</b>	(8,543)
Other expenses		<b>(60,284)</b>	(65,828)	<b>(17,311)</b>	(14,531)
Finance costs	8	<b>(6,584)</b>	(7,565)	<b>(6,135)</b>	(7,122)
Share of results of associates		<b>(56)</b>	526	-	-
<b>(Loss)/profit before tax</b>	9	<b>(14,541)</b>	14,049	<b>(18,152)</b>	833
Income tax expense	10	<b>(805)</b>	(6,166)	-	-
<b>(Loss)/profit for the year</b>		<b>(15,346)</b>	7,883	<b>(18,152)</b>	833
<b>(Loss)/profit attributable to:</b>					
Owners of the parent		<b>(13,998)</b>	7,169	<b>(18,152)</b>	833
Non-controlling interests		<b>(1,348)</b>	714	-	-
		<b>(15,346)</b>	7,883	<b>(18,152)</b>	833
<b>(Loss)/profit per share attributable to owners of the parent (sen per share):</b>					
Basic/diluted	12	<b>(13.83)</b>	7.08		



## STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017 (cont'd.)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>(Loss)/profit for the year</b>		<b>(15,346)</b>	7,883	<b>(18,152)</b>	833
<b>Other comprehensive (loss)/income:</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation, net of income tax of nil	29	<b>(994)</b>	2,219	-	-
<b>Total comprehensive (loss)/income for the year</b>		<b>(16,340)</b>	10,102	<b>(18,152)</b>	833
<b>Total comprehensive (loss)/income attributable to:</b>					
Owners of the parent		<b>(14,992)</b>	9,468	<b>(18,152)</b>	833
Non-controlling interests		<b>(1,348)</b>	634	-	-
		<b>(16,340)</b>	10,102	<b>(18,152)</b>	833

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	<b>50,705</b>	55,582	<b>38,437</b>	41,855
Intangible assets	14	<b>22,448</b>	31,190	-	-
Investments in subsidiaries	15	-	-	<b>44,513</b>	50,383
Investments in associates	16	<b>4,419</b>	4,420	<b>55</b>	-
Available-for-sale financial assets	17	<b>2,914</b>	2,914	<b>2,751</b>	2,751
Lease receivable	18	<b>22,903</b>	37,003	<b>22,903</b>	37,003
Deferred tax assets	19	<b>85</b>	50	-	-
		<b>103,474</b>	131,159	<b>108,659</b>	131,992
<b>Current assets</b>					
Inventories	20	<b>758</b>	1,059	-	-
Trade and other receivables	21	<b>102,864</b>	140,495	<b>110,781</b>	156,511
Other current assets	22	<b>133,176</b>	105,227	<b>106,502</b>	94,662
Tax recoverable		<b>757</b>	994	-	-
Cash and bank balances	24	<b>94,887</b>	81,591	<b>72,358</b>	61,483
		<b>332,442</b>	329,366	<b>289,641</b>	312,656
<b>Total assets</b>		<b>435,916</b>	460,525	<b>398,300</b>	444,648
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Amounts due to customers on contracts	23	<b>8,495</b>	1,554	<b>8,117</b>	1,554
Loans and borrowings	25	<b>130,030</b>	136,968	<b>123,168</b>	136,186
Trade and other payables	26	<b>118,570</b>	107,479	<b>131,661</b>	134,329
Tax payable		<b>1,501</b>	2,463	<b>501</b>	1,753
		<b>258,596</b>	248,464	<b>263,447</b>	273,822
<b>Net current assets</b>		<b>73,846</b>	80,902	<b>26,194</b>	38,834

**STATEMENTS OF FINANCIAL POSITION***As at 31 December 2017 (cont'd.)*

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	19	<b>505</b>	786	-	-
Loans and borrowings	25	<b>20,563</b>	33,222	<b>14,823</b>	27,583
		<b>21,068</b>	34,008	<b>14,823</b>	27,583
<b>Total liabilities</b>		<b>279,664</b>	282,472	<b>278,270</b>	301,405
<b>Net assets</b>		<b>156,252</b>	178,053	<b>120,030</b>	143,243
<b>Equity attributable to owners of the parent</b>					
Share capital	27	<b>117,751</b>	101,225	<b>117,751</b>	101,225
Share premium	27	-	16,526	-	16,526
Retained earnings	28	<b>33,802</b>	52,861	<b>2,279</b>	25,492
Foreign currency translation reserve	29	<b>(331)</b>	663	-	-
		<b>151,222</b>	171,275	<b>120,030</b>	143,243
Non-controlling interests		<b>5,030</b>	6,778	-	-
<b>Total equity</b>		<b>156,252</b>	178,053	<b>120,030</b>	143,243
<b>Total equity and liabilities</b>		<b>435,916</b>	460,525	<b>398,300</b>	444,648

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

## STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the parent						
	Non-distributable		Distributable	Non-distributable	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	Share capital (Note 27) RM'000	Share premium (Note 27) RM'000	Retained earnings (Note 28) RM'000	Foreign currency translation reserve (Note 29) RM'000	RM'000	RM'000	RM'000
<b>Group</b>							
<b>At 1 January 2017</b>	<b>101,225</b>	<b>16,526</b>	<b>52,861</b>	<b>663</b>	<b>171,275</b>	<b>6,778</b>	<b>178,053</b>
Loss for the year	-	-	(13,998)	-	(13,998)	(1,348)	(15,346)
Other comprehensive loss	-	-	-	(994)	(994)	-	(994)
Total comprehensive loss for the financial year	-	-	(13,998)	(994)	(14,992)	(1,348)	(16,340)
<b>Transactions with owners</b>							
Dividend paid on ordinary shares (Note 11)	-	-	(5,061)	-	(5,061)	-	(5,061)
Dividend paid to non-controlling interests	-	-	-	-	-	(400)	(400)
Total transaction with owners	-	-	(5,061)	-	(5,061)	(400)	(5,461)
Effect of implementation of Companies Act 2016	<b>16,526</b>	<b>(16,526)</b>	-	-	-	-	-
<b>At 31 December 2017</b>	<b>117,751</b>	<b>-</b>	<b>33,802</b>	<b>(331)</b>	<b>151,222</b>	<b>5,030</b>	<b>156,252</b>
<b>Group</b>							
<b>At 1 January 2016</b>	101,225	16,526	45,692	(1,636)	161,807	6,144	167,951
Profit for the year	-	-	7,169	-	7,169	714	7,883
Other comprehensive income	-	-	-	2,299	2,299	(80)	2,219
Total comprehensive income for the financial year	-	-	7,169	2,299	9,468	634	10,102
<b>At 31 December 2016</b>	<b>101,225</b>	<b>16,526</b>	<b>52,861</b>	<b>663</b>	<b>171,275</b>	<b>6,778</b>	<b>178,053</b>

## STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2017 (cont'd.)

	← Non-distributable →		Distributable	Total equity RM'000
	Share capital (Note 27) RM'000	Share premium (Note 27) RM'000	Retained earnings (Note 28) RM'000	
<b>Company</b>				
<b>At 1 January 2017</b>	<b>101,225</b>	<b>16,526</b>	<b>25,492</b>	<b>143,243</b>
Total comprehensive loss for the financial year	-	-	(18,152)	(18,152)
Dividend paid, representing transaction with owners (Note 11)	-	-	(5,061)	(5,061)
Effect of implementation of Companies Act 2016	<b>16,526</b>	<b>(16,526)</b>	-	-
<b>At 31 December 2017</b>	<b>117,751</b>	<b>-</b>	<b>2,279</b>	<b>120,030</b>
<b>At 1 January 2016</b>	101,225	16,526	24,659	142,410
Total comprehensive income for the financial year	-	-	833	833
<b>At 31 December 2016</b>	101,225	16,526	25,492	143,243

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

## STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities</b>					
(Loss)/profit before tax		<b>(14,541)</b>	14,049	<b>(18,152)</b>	833
<u>Adjustments to reconcile (loss)/profit before tax to net cash flows:</u>					
Gain on disposal of property, plant and equipment	9	<b>(56)</b>	(68)	<b>(56)</b>	-
Interest income	5	<b>(1,861)</b>	(1,873)	<b>(1,438)</b>	(1,418)
Dividend income	5	-	(59)	<b>(4,600)</b>	(14,099)
Finance costs	8	<b>6,584</b>	7,565	<b>6,135</b>	7,122
Depreciation	9	<b>11,654</b>	11,392	<b>8,811</b>	8,543
Reversal of impairment loss on:					
- Trade receivables	9	<b>(858)</b>	(4,444)	<b>(513)</b>	(3,071)
- Other receivables	9	<b>(2,035)</b>	-	<b>(1,845)</b>	-
Impairment loss on:					
- Trade receivables	9	<b>1,571</b>	6,072	<b>763</b>	4,722
- Amounts due from subsidiaries	9	-	-	<b>989</b>	-
- Other receivables	9	<b>49</b>	3,542	<b>49</b>	3,542
- Investment in associates	9	-	1,800	-	1,800
- Available-for-sale financial assets	9	-	1,467	-	966
- Goodwill	9	<b>5,683</b>	1,046	-	-
- Investment in subsidiaries	9	-	-	<b>9,870</b>	-
- Software development cost	9	<b>3,517</b>	-	-	-
Amortisation of intangible assets	9	<b>1,024</b>	1,555	-	66
Unrealised foreign exchange gain	9	<b>(61)</b>	(716)	<b>(61)</b>	(716)
Share of results of associates		<b>56</b>	(526)	-	-
Total adjustments		<b>25,267</b>	26,753	<b>18,104</b>	7,457
<b>Operating profit/(loss) before working capital changes carried forward</b>		<b>10,726</b>	40,802	<b>(48)</b>	8,290



## STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017 (cont'd.)

	Group		Company	
Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities (cont'd.)</b>				
Changes in working capital				
Decrease/(Increase) in inventories	301	(240)	-	-
Decrease/(Increase) in trade and other receivables	38,965	(7,355)	46,348	(6,410)
(Increase)/Decrease in other current assets and lease receivables	(13,849)	(15,168)	2,260	(5,475)
Increase in amounts due to customers on contracts	6,941	1,554	6,563	1,554
Increase/(Decrease) in trade and other payables	11,091	(6,419)	(2,668)	1,645
Total changes in working capital	43,449	(27,628)	52,503	(8,686)
<b>Cash generated from/(used in) operations</b>	<b>54,175</b>	<b>13,174</b>	<b>52,455</b>	<b>(396)</b>
Interest paid	(6,584)	(7,565)	(6,135)	(7,122)
Taxes (paid)/recoverable	(1,846)	(1,588)	(1,252)	4,154
<b>Net cash flows generated from/(used in) operating activities</b>	<b>45,745</b>	<b>4,021</b>	<b>45,068</b>	<b>(3,364)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(7,316)	(3,102)	(5,393)	(2,607)
Interest received	1,861	1,873	1,438	1,418
Proceeds from disposal of property, plant and equipment	177	287	56	-
Software and deferred development costs incurred	(1,482)	(3,115)	-	-
Increase in investment in a subsidiary	-	-	-	(2,500)
Increase in investment in an associate	(55)	(1,800)	(55)	(1,800)
Dividend received	-	59	600	14,099
<b>Net cash flows (used in)/generated from investing activities</b>	<b>(6,815)</b>	<b>(5,798)</b>	<b>(3,354)</b>	<b>8,610</b>

**STATEMENTS OF CASH FLOWS***For the financial year ended 31 December 2017 (cont'd.)*

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from financing activities</b>					
Proceeds/(repayments) from loans and borrowings		<b>326</b>	12,031	<b>(4,532)</b>	12,829
Net proceeds/(repayments) of obligations under finance leases		<b>1,217</b>	16	<b>(107)</b>	481
Dividends paid to equity holders of the parent		<b>(5,061)</b>	-	<b>(5,061)</b>	-
Dividends paid to non-controlling interest		<b>(400)</b>	-	-	-
Placement of deposits with licensed banks		<b>(1,515)</b>	(3,114)	-	-
(Placement of deposits)/deposits uplifted from securities for bank borrowings		<b>(15,775)</b>	11,752	<b>(15,946)</b>	441
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(21,208)</b>	20,685	<b>(25,646)</b>	13,751
<b>Net increase in cash and cash equivalents</b>		<b>17,722</b>	18,908	<b>16,068</b>	18,997
Effect of exchange rate changes		<b>(576)</b>	2,031	-	-
Cash and cash equivalents at 1 January		<b>(7,930)</b>	(28,869)	<b>(21,317)</b>	(40,314)
Cash and cash equivalents at 31 December	24	<b>9,216</b>	(7,930)	<b>(5,249)</b>	(21,317)

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad. The registered office and the principal place of business of the Company is located at Level 15, HeiTech Village, Persiaran Kewajipan, USJ 1, UEP Subang Jaya, 47600 Selangor Darul Ehsan.

The principal activities of the Company are the provision of systems integration, network related services, data centre management, disaster recovery services and other information technology related services. Under the Communications and Multimedia Act (CMA) 1998 Framework, the provision of network related services and internet data centre services are licensed as Network Services Provider Individual License (NSP (i)) and Application Service Provider Class License (ASP (c)) respectively.

Other information relating to the subsidiaries are described in Note 15 to the financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Group and the Company adopted the following new and amended MFRS and Interpretations Committee ("IC") Interpretations mandatory for annual financial periods beginning on or after 1 January 2017.

Description	Effective for annual periods beginning on or after
MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvement to MFRS Standards 2014-2016 Cycle-Amendments to MFRS 12 Disclosure in Interest of Other Entities: Clarification to the scope of disclosure requirement in MFRS 12	1 January 2017

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.2 Changes in accounting policies (cont'd.)**

The adoption of the above standards and interpretation have no material effect on the financial statements of the Group and of the Company, except as per below:

**MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)**

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. The application of these amendments has had no impact on the Group and the Company.

**Amendments to MFRS 12 Disclosure of Interests in Other Entities:  
Clarification of the scope of disclosure requirements in MFRS 12**

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The application of these amendments has had no effect on the Group as none of the Group's interest in these entities are classified, or included in a disposal group that is classified, as held for sale.

**2.3 Standards issued but not yet effective**

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.3 Standards issued but not yet effective (cont'd.)

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective. (cont'd.)

Description	Effective for annual periods beginning on or after
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above standards, if applicable will have no material impact on the financial statements of the Group and of the Company in the period of initial application, except as discussed below:

#### **MFRS 15 Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

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 plans to adopt MFRS 15 in its financial statements for the year ending 31 December 2018. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.3 Standards issued but not yet effective (cont'd.)****MFRS 15 Revenue from Contracts with Customers (cont'd.)**

The Group had formed a team to carry out the implementation of MFRS 15. As at the date of this report, the quantitative impact of MFRS 15 on the 2018 financial statements cannot be reasonably estimated. The Group had identified a list of contracts that has not been completed by end of 31 December 2017 (using the practical expedient allowed under the new standard) for the assessment which may or may not be restated under the modified retrospective method.

As the Group has ongoing contracts that span 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.), the Group is currently reviewing the contracts to identify contractual terms that may have an accounting effect for its identification of performance obligation(s) in each contract.

Subsequently, the Group will update its accounting policies to comply with the new principles in the standard. The Group will continue to assess all of the impacts that the application of MFRS 15 will have on the Group's financial statements in the period of initial application.

**MFRS 9 Financial Instruments**

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

**(a) Classification and measurement**

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of MFRS 9. Unquoted equity shares currently held as available-for-sale (AFS) is recorded at cost at the statements of financial position, instead of being measured at fair value through profit or loss, which will increase volatility in recorded profit or loss.

**(b) Impairment**

MFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables.

The Group will continue to assess all of the impacts that the application of MFRS 9 will have on the Group's and the Company's financial statements in the period of initial application.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.3 Standards issued but not yet effective (cont'd.)

##### **MFRS 16 Leases**

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group has yet to assess the potential effect of MFRS 16 to its financial statements.

#### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Company controls an investee if, and only if, the Company has all of the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.4 Basis of consolidation (cont'd.)**

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether it has power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

**Business combinations**

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.4 Basis of consolidation (cont'd.)

##### Business combinations (cont'd.)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.8(a).

#### 2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.6 Foreign currency****(a) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

**(b) Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

**(c) Foreign operations**

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Construction work in progress is not depreciated as the asset is not yet ready for its intended purposes. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Building	2% - 10%
Motor vehicles	20%
Office equipment, furniture and fittings	10% - 20%
Computers and network equipment	25% - 33 1/3%
Renovation	15%
Machinery	6% - 13%

The Group estimated the useful lives of these property, plant and equipment based on common life expectancies applied in the industry. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.8 Intangible assets****(a) Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

**(b) Software development cost**

Software development expenditure comprises purchased software, manpower and related overhead incurred directly in the development of computer software. Software development expenditures are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and use or sell the asset;
- the ability to use or sell the intangible asset generated;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the software development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit (to the maximum of 15 years), at the principal annual amortisation rate of 7% to 20%. Amortisation is recorded in other expenses. During the period of development, the asset is tested for impairment annually.

Software development expenditures which are not or have ceased to be commercially viable are written off. The policy for recognition and measurement of impairment losses is in accordance with Note 2.11.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.8 Intangible assets (cont'd.)

##### (c) Other intangible assets

Other intangible assets comprises of the Group purchased software and secured contracts.

Other intangible assets acquired separately are measured initially at cost. The cost of other intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, other intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Other intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Other intangible assets of the Group are amortised on a straight-line basis over their estimated economic useful lives, as follow:

Secured contracts	2 - 6 years
Purchased software	5 years

Gains or losses arising from derecognition of an other intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

#### 2.9 Subsidiaries

A subsidiary is an entity over which the Group has:

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 2.11. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.10 Investments in associates**

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to its investment in the associate. At each reporting date, the Group determines whether there is objective evidence that an investment in associate is impaired. If there is such evidence, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of assets by comparing its recoverable amount (higher of value in use and fair value less costs to sell) and its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets of CGU's amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

#### 2.12 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.12 Financial assets (cont'd.)****(a) Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group and the Company did not have any financial assets at fair value through profit or loss during the year ended 31 December 2017.

**(b) Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

**(c) Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.12 Financial assets (cont'd.)

##### (c) Held-to-maturity investments (cont'd.)

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

The Group and the Company did not have any held-to-maturity investments during the year ended 31 December 2017.

##### (d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investment in equity instruments (unquoted) whose fair value cannot be reliably measured is measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when the Group or the Company has transferred its rights to receive cash flows from the financial asset and substantially all the risk and rewards of the financial asset to a third party. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way of purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.13 Impairment of financial assets**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

**(a) Trade and other receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and certain other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**(b) Unquoted equity securities carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.13 Impairment of financial assets (cont'd.)

##### (c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

#### 2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, demand deposits, and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management, if any.

#### 2.15 Inventories

Inventories comprising consumables are stated at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sales.

#### 2.16 Due from/(to) customers on contracts

Where the outcome of a contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.16 Due from/(to) customers on contracts (cont'd.)**

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

The Group assessed the probability of a deduction to budgeted revenue due to delays in delivery or other contractual penalties by reviewing the contractual delivery dates and other terms of the respective contracts against management's estimated delivery dates, progress reports, past trends of discount obtained, interviews with the project team and correspondences with customers. If the assessment shown a delay in delivery or completion, the possible deduction is recognised in profit or loss in accordance with Note 2.17.

Expenses incurred in providing and supplying to its customers on certain hardware and software, being part and parcel of the ordinary contractual obligation under the contract are capitalised and included in contract costs incurred to date. The expenses are amortised over the respective contract period.

Judgement is required in determining the extent of costs incurred and the recoverability of the capitalised costs. In making the judgement, the Group evaluates based on past experiences, current external economic factors and the progress and capitalised of the contract.

Where an indication of impairment exists, the capitalised cost is assessed and the expected loss is recognised as an expense immediately.

**2.17 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.18 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

##### (a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

##### (b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.19 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

**2.20 Employee benefits****(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave, maternity and paternity leave are recognised when the absences occur.

**(ii) Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

**2.21 Leases****(a) As lessee**

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.21 Leases (cont'd.)

##### (b) As lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(f).

Leases where the Group passes substantially all the risk and rewards of ownership to the lessee are classified as finance leases. Lessor is required to recognise the assets held under a finance lease as a lease receivable at an amount equal to the net investment in the lease.

#### 2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

##### (a) Long term fixed price contracts

Revenue on long term fixed price contracts is recognised based on the stage of completion method determined on the proportion of costs incurred to date against total estimated costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. All anticipated losses on contracts are fully provided for. The revenue are disclosed as part of maintenance charges, system application and development, engineering works of the Group and of the Company.

##### (b) Rendering of services

Revenue from network related services, internet data centre services, certain system application and development contracts, disaster recovery and facility management services and bulk mailing charges are recognised upon services rendered. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due or associated costs.

##### (c) Sale of goods

Revenue from sale of software and hardware is recognised upon the transfer of risks and rewards of ownership of the goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

##### (d) Maintenance charges

Revenue is recognised evenly over the terms of the contract when the services are performed. Revenue billed in advance from customers is accounted for as deferred revenue and is recognised over the respective contract periods to correlate with the service obligation.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.22 Revenue (cont'd.)****(e) Dividend income**

Dividend income is recognised when the Group's right to receive payment is established.

**(f) Rental income**

Rental income is recognised on a straight-line basis over the lease terms.

**(g) Interest income**

Interest income is recognised using the effective interest method.

**2.23 Income taxes****(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.23 Income taxes (cont'd.)

##### (b) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Group and the Company recognised deferred tax assets for all unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and reinvestment allowances can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The aggregate unutilised tax losses, unabsorbed capital allowance and other deductible temporary difference of the Group and of the Company were disclosed in Note 19.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.23 Income taxes (cont'd.)

##### (c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### 2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

#### 2.25 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### 2.26 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.27 Fair value measurements

The Group measures its financial instruments, such as, derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability; or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### 2.28 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS***31 December 2017***3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

**3.1 Judgements made in applying accounting policies**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

**Finance leases – As lessor**

The Group and the Company have entered into a build and lease arrangement with Government of Malaysia. The Group and the Company have determined, based on an evaluation of the terms and conditions of the arrangements, whether the property was clearly operating lease or finance lease. The management judged that the arrangement does not retain the significant risks and rewards of ownership of this property, thus accounted for the contract as finance lease.

**3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(a) Recognition of revenue from long term contracts**

The Group and the Company recognise long term fixed price contracts revenue and expenses in the income statements by using the stage of completion method. The stage of completion method is determined by the proportion of actual contracts costs incurred for work performed to date against the estimated total contract costs for each contract. Significant judgement is required in determining the stage of completion, the extent of contract costs incurred as well as the estimated total contract revenue and costs. In making the judgement, the Group and the Company regularly update project budgets based on their knowledge and experience on the projects.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

#### 3.2 Key sources of estimation uncertainty (cont'd.)

##### (b) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the recoverable amount based on value in use or fair value less cost to sell of the cash-generating units to which goodwill is allocated.

When value in use method is undertaken for impairment assessment, it is based on discounted cash flow model. Management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate and growth rates in order to calculate the present value of those cash flows.

When fair value less cost to sell is undertaken for impairment assessment, it is based on best information available from an independent third party to reflect the amount obtainable in an arm's length transaction, less cost of disposal.

The carrying value of goodwill, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are further explained in Note 14.

##### (c) Impairment assessment of investment in subsidiaries

The Company determines whether investment in subsidiaries is impaired when there is an indication of impairment. This requires an estimation of the value in use of the CGU to which the investment in subsidiaries is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to determine suitable discount rate and growth rates in order to calculate the present value of those cash flows. The carrying amount of investment in subsidiaries at 31 December 2017 was RM44,513,000 (2016: RM50,383,000). Further details are disclosed in Note 15.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 4. REVENUE

Revenue of the Group and of the Company consist of the following:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Malaysian Communications and Multimedia Commission (MCMC) Licensable Activities</b>				
Network related services	<b>54,608</b>	65,844	<b>54,608</b>	65,844
Internet data centre services	<b>726</b>	709	-	-
	<b>55,334</b>	66,553	<b>54,608</b>	65,844
<b>Other activities</b>				
Sale of hardware and software	<b>39,689</b>	33,782	<b>24,386</b>	18,646
Maintenance charges	<b>137,688</b>	117,144	<b>137,688</b>	117,144
System application and development	<b>45,360</b>	44,623	<b>45,359</b>	44,623
Disaster recovery and facility management services	<b>38,736</b>	45,332	<b>39,462</b>	46,041
Bulk mailing charges	<b>22,241</b>	25,516	-	-
Engineering works	<b>80,725</b>	20,673	-	-
Others	<b>7,099</b>	8,965	<b>4,399</b>	6,120
	<b>371,538</b>	296,035	<b>251,294</b>	232,574
<b>Total revenue</b>	<b>426,872</b>	362,588	<b>305,902</b>	298,418

Revenue pertaining to the MCMC Licensable Activities refers to those attributable revenue prescribed under the Communication and Multimedia Act (CMA) 1998 Framework. Under the CMA, the provision of network related services and internet data centre services are licensed as Network Services Provider Individual License (NSP (i)) and Application Service Provider Class License (ASP (c)) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 5. OTHER INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income from:				
- Fixed deposits from license banks	<b>1,861</b>	1,873	<b>1,438</b>	1,418
Dividend income from:				
- Available-for-sale financial assets	-	59	-	59
- Subsidiaries	-	-	<b>4,600</b>	14,040
Gain on disposal of property, plant and equipment	<b>56</b>	68	<b>56</b>	-
Rental income	<b>3,182</b>	2,443	<b>10,063</b>	8,579
Reversal of impairment loss on trade and other receivables	<b>2,893</b>	4,444	<b>2,358</b>	3,071
Realised gain on foreign exchange	<b>61</b>	1,062	<b>61</b>	1,062
Training	-	84	-	-
Others	<b>395</b>	710	-	299
	<b>8,448</b>	10,743	<b>18,576</b>	28,528

## 6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries	<b>88,064</b>	73,978	<b>11,704</b>	14,398
Defined contributions plans and social security contributions	<b>9,427</b>	10,729	<b>1,074</b>	2,369
Other benefits	<b>3,088</b>	6,465	<b>933</b>	1,160
	<b>100,579</b>	91,172	<b>13,711</b>	17,927

Included in employee benefits expense of the Group and of the Company are non-executive directors' remuneration amounting to RM1,619,000 (2016: RM1,342,000) and RM1,445,000 (2016 RM1,165,000) respectively as further disclosed in Note 7.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**7. DIRECTORS' REMUNERATION**

The details of remuneration receivable by directors of the Company during the year are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Non-executive director's remuneration:				
Fees	<b>412</b>	223	<b>297</b>	122
Other emoluments	<b>1,207</b>	1,119	<b>1,148</b>	1,043
Total directors' remuneration (Note 31)	<b>1,619</b>	1,342	<b>1,445</b>	1,165

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	<b>Number of directors</b>	
	<b>2017</b>	<b>2016</b>
Non-executive directors:		
Up to RM50,000	<b>7</b>	7
RM950,001 - RM1,050,000	-	1
RM1,050,001 - RM1,150,000	<b>1</b>	-

**8. FINANCE COSTS**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest expense on:				
Term loans	<b>326</b>	759	<b>73</b>	450
Revolving credits	<b>2,094</b>	2,957	<b>2,094</b>	2,957
Obligations under finance leases	-	17	-	17
Bank overdrafts	<b>2,622</b>	2,519	<b>2,622</b>	2,492
Due to directors of a subsidiary	<b>99</b>	99	-	-
Others	<b>1,443</b>	1,214	<b>1,346</b>	1,206
	<b>6,584</b>	7,565	<b>6,135</b>	7,122

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 9. (LOSS)/PROFIT BEFORE TAX

The following items have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amortisation of intangible assets (Note 14)	1,024	1,555	-	66
Auditors' remuneration				
- Statutory audit	483	431	271	255
- Other services	24	61	24	61
Office rental	5,416	5,544	4,758	4,731
Impairment loss on:				
- Trade receivables (Note 21)	1,571	6,072	763	4,722
- Amounts due from subsidiaries (Note 21)	-	-	989	-
- Other receivables (Note 21)	49	3,542	49	3,542
- Investments in subsidiaries	-	-	9,870	-
- Investments in associates	-	1,800	-	1,800
- Available-for-sale financial assets (Note 17)	-	1,467	-	966
- Goodwill (Note 14)	5,683	1,046	-	-
- Software development cost (Note 14)	3,517	-	-	-
Reversal of impairment loss on:				
- Trade receivables (Note 21)	(858)	(4,444)	(513)	(3,071)
- Other receivables (Note 21)	(2,035)	-	(1,845)	-
Gain on disposal of property, plant and equipment	(56)	(68)	(56)	-
Depreciation of property, plant and equipment (Note 13)	11,654	11,392	8,811	8,543
Unrealised foreign exchange gain	(61)	(716)	(61)	(716)



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 10. INCOME TAX EXPENSE

#### Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Statements of comprehensive income:</b>				
Current income tax:				
Malaysian income tax	<b>2,206</b>	5,806	-	-
(Over)/under provision in prior years:				
Malaysian income tax	<b>(1,085)</b>	1,076	-	-
Foreign tax	-	(18)	-	-
	<b>(1,085)</b>	1,058	-	-
	<b>1,121</b>	6,864	-	-
Deferred tax (Note 19): Relating to origination and reversal of temporary differences	<b>(719)</b>	49	<b>(418)</b>	-
Under/(over) provision in prior years	<b>403</b>	(747)	<b>418</b>	-
	<b>(316)</b>	(698)	-	-
Income tax expense recognised in profit or loss	<b>805</b>	6,166	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 10. INCOME TAX EXPENSE (CONT'D.)

**Reconciliations between tax expense and accounting (loss)/profit**

The reconciliations between tax expense and the accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/profit before tax	<b>(14,541)</b>	14,049	<b>(18,152)</b>	833
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	<b>(3,490)</b>	3,372	<b>(4,356)</b>	200
Different tax rate in other countries	<b>(132)</b>	(9)	-	-
Effect of income not subject to tax	-	(14)	<b>(1,104)</b>	(3,384)
Effect of expenses not deductible for tax purposes	<b>5,526</b>	5,720	<b>4,318</b>	2,820
Utilisation of group relief	<b>(64)</b>	(212)	-	-
Deferred tax assets recognised during the year	-	(153)	-	-
Deferred tax assets not recognised during the year	<b>1,182</b>	364	<b>724</b>	364
Utilisation of previously unrecognised deferred tax assets	<b>(1,511)</b>	(3,185)	-	-
Share of results of associates	<b>(24)</b>	(28)	-	-
Under/(over) provision of deferred tax in prior years	<b>403</b>	(747)	<b>418</b>	-
(Over)/under provision of income tax in prior years	<b>(1,085)</b>	1,058	-	-
Income tax expense recognised in profit or loss	<b>805</b>	6,166	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 11. DIVIDEND

	Dividend in respect of Year		Dividend recognised in Year	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Company</b>				
Interim dividend for 2016: 2% single-tier dividend on 110,225,300 ordinary shares of RM0.02 each (2 sen per ordinary share)	-	2,025	-	2,025
Final dividend for 2016: 5% single-tier dividend on 110,225,300 ordinary shares of RM0.05 each (5 sen per ordinary share)	-	5,061	<b>5,061</b>	-

## 12. (LOSS)/PROFIT PER SHARE

Basic (loss)/profit per share are calculated by dividing the (loss)/profit for the year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted (loss)/profit per share is calculated by dividing the (loss)/profit for the year attributable to owners of the parent by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

There are no potential dilution effects on ordinary shares of the Group for the current financial year. Accordingly, the diluted (loss)/profit per share for the current year is equal to basic (loss)/profit per share.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 12. (LOSS)/PROFIT PER SHARE (CONT'D.)

The following tables reflect the (loss)/profit and share data used in the computation of basic and diluted (loss)/profit per share for the years ended 31 December:

	Group	
	2017 RM'000	2016 RM'000
(Loss)/profit attributable to owners of the parent:	(13,998)	7,169
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares in issue for diluted (loss)/profit per share computation	101,225	101,225
	Group	
	2017	2016
Basic/diluted (loss)/profit per share (sen per share)	(13.83)	7.08

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Machinery, office equipment, furniture and fittings RM'000	Computers and network equipment RM'000	Renovation RM'000	Total RM'000
<b>Group</b>							
<b>Cost</b>							
At 1 January 2016	11,506	43,738	3,249	58,287	169,224	21,353	307,357
Additions	-	210	637	306	1,908	41	3,102
Write off	-	-	(45)	(1,015)	(2)	(377)	(1,439)
Reclassification	-	3,066	-	(2,457)	(609)	-	-
Disposals	-	-	(432)	-	-	-	(432)
Exchange differences	-	-	20	28	-	-	48
At 31 December 2016 and 1 January 2017	<b>11,506</b>	<b>47,014</b>	<b>3,429</b>	<b>55,149</b>	<b>170,521</b>	<b>21,017</b>	<b>308,636</b>
Additions	-	2,418	108	320	4,367	103	7,316
Disposals	-	-	(1,183)	(16)	-	(87)	(1,286)
Exchange differences	-	(100)	(103)	(275)	-	-	(478)
At 31 December 2017	<b>11,506</b>	<b>49,332</b>	<b>2,251</b>	<b>55,178</b>	<b>174,888</b>	<b>21,033</b>	<b>314,188</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Machinery, office equipment, furniture and fittings RM'000	Computers and network equipment RM'000	Renovation RM'000	Total RM'000
<b>Group</b>							
<b>Accumulated depreciation</b>							
At 1 January 2016	-	27,735	2,508	29,884	162,069	21,259	243,455
Charge for the year (Note 9)	-	3,756	326	4,397	2,904	9	11,392
Write off	-	-	(45)	(1,015)	(2)	(377)	(1,439)
Reclassification	-	2,784	-	(2,185)	(599)	-	-
Disposals	-	-	(213)	-	-	-	(213)
Exchange differences	-	-	108	(249)	-	-	(141)
At 31 December 2016 and 1 January 2017	-	<b>34,275</b>	<b>2,684</b>	<b>30,832</b>	<b>164,372</b>	<b>20,891</b>	<b>253,054</b>
Charge for the year (Note 9)	-	3,851	313	3,948	3,372	170	11,654
Disposals	-	-	(1,174)	37	-	(28)	(1,165)
Exchange differences	-	36	(71)	(25)	-	-	(60)
At 31 December 2017	-	<b>38,162</b>	<b>1,752</b>	<b>34,792</b>	<b>167,744</b>	<b>21,033</b>	<b>263,483</b>
<b>Net carrying amount</b>							
At 31 December 2016	11,506	12,739	745	24,317	6,149	126	55,582
At 31 December 2017	<b>11,506</b>	<b>11,170</b>	<b>499</b>	<b>20,386</b>	<b>7,144</b>	<b>-</b>	<b>50,705</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computers and network equipment RM'000	Renovation RM'000	Total RM'000
<b>Company</b>							
<b>Cost</b>							
At 1 January 2016	9,895	39,713	1,301	31,624	163,927	21,669	268,129
Additions	-	210	617	146	1,601	33	2,607
Reclassification	-	3,066	-	(2,457)	(609)	-	-
Write off	-	-	-	(710)	-	(377)	(1,087)
At 31 December 2016 and 1 January 2017	<b>9,895</b>	<b>42,989</b>	<b>1,918</b>	<b>28,603</b>	<b>164,919</b>	<b>21,325</b>	<b>269,649</b>
Additions	-	2,418	-	247	2,716	12	5,393
Disposals	-	-	(1,105)	-	-	-	(1,105)
At 31 December 2017	<b>9,895</b>	<b>45,407</b>	<b>813</b>	<b>28,850</b>	<b>167,635</b>	<b>21,337</b>	<b>273,937</b>



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computers and network equipment RM'000	Renovation RM'000	Total RM'000
<b>Company</b>							
<b>Accumulated depreciation</b>							
At 1 January 2016	-	26,342	1,243	13,370	158,119	21,264	220,338
Charge for the year (Note 9)	-	5,260	91	601	2,287	304	8,543
Reclassification	-	2,784	-	(2,175)	(609)	-	-
Write off	-	-	-	(710)	-	(377)	(1,087)
At 31 December 2016 and 1 January 2017	-	<b>34,386</b>	<b>1,334</b>	<b>11,086</b>	<b>159,797</b>	<b>21,191</b>	<b>227,794</b>
Charge for the year (Note 9)	-	3,722	142	1,926	2,877	144	8,811
Disposals	-	-	(1,105)	-	-	-	(1,105)
At 31 December 2017	-	<b>38,108</b>	<b>371</b>	<b>13,012</b>	<b>162,674</b>	<b>21,335</b>	<b>235,500</b>
<b>Net carrying amount</b>							
At 31 December 2016	9,895	8,603	584	17,517	5,122	134	41,855
At 31 December 2017	<b>9,895</b>	<b>7,299</b>	<b>442</b>	<b>15,838</b>	<b>4,961</b>	<b>2</b>	<b>38,437</b>

Assets held under finance leases

The net carrying amount of property, plant and equipment of the Group and of the Company held under finance lease were RM9,194,462 (2016: RM8,647,000 ) and RM7,605,000 (2016: RM8,647,000) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)**Assets pledged as security

In addition to assets held under finance leases, the net carrying amounts of property, plant and equipment pledged as securities for loans and borrowings (Note 25) are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Freehold land	<b>9,895</b>	9,895	<b>9,895</b>	9,895
Building	<b>2,728</b>	2,800	-	-
	<b>12,623</b>	12,695	<b>9,895</b>	9,895

**14. INTANGIBLE ASSETS**

	<b>Goodwill RM'000</b>	<b>Secured contract RM'000</b>	<b>Software development costs RM'000</b>	<b>Total RM'000</b>
<b>Group</b>				
<b>Cost</b>				
At 1 January 2016	21,865	1,153	12,886	35,904
Addition	-	-	3,115	3,115
At 31 December 2016 and 1 January 2017	<b>21,865</b>	<b>1,153</b>	<b>16,001</b>	<b>39,019</b>
Addition	-	-	<b>1,482</b>	<b>1,482</b>
At 31 December 2017	<b>21,865</b>	<b>1,153</b>	<b>17,483</b>	<b>40,501</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 14. INTANGIBLE ASSETS (CONT'D.)

	Goodwill RM'000	Secured contract RM'000	Software development costs RM'000	Total RM'000
<b>Group</b>				
<b>Accumulated amortisation and impairment</b>				
At 1 January 2016	3,019	426	1,783	5,228
Impairment	1,046	-	-	1,046
Amortisation (Note 9)	-	398	1,157	1,555
At 31 December 2016 and 1 January 2017	<b>4,065</b>	<b>824</b>	<b>2,940</b>	<b>7,829</b>
Impairment (Note 9)	5,683	-	3,517	9,200
Amortisation (Note 9)	-	329	695	1,024
At 31 December 2017	<b>9,748</b>	<b>1,153</b>	<b>7,152</b>	<b>18,053</b>
<b>Net carrying amount</b>				
At 31 December 2016	17,800	329	13,061	31,190
At 31 December 2017	<b>12,117</b>	<b>-</b>	<b>10,331</b>	<b>22,448</b>
			<b>Software development costs RM'000</b>	
<b>Company</b>				
<b>Cost</b>				
At 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017				<b>1,054</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 14. INTANGIBLE ASSETS (CONT'D.)

**Software  
development  
costs  
RM'000**

**Company****Accumulated amortisation**

At 1 January 2016	988
Amortisation	66
At 31 December 2016 and 1 January 2017	<b>1,054</b>
Amortisation	-
At 31 December 2017	<b>1,054</b>

**Net carrying amount**

At 31 December 2016	-
At 31 December 2017	-

**Impairment testing of goodwill**

Goodwill arising from business combinations has been allocated to four individual cash-generating units ("CGUs") for impairment testing as follows:

	<b>Group</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Computer software development, sales and support	<b>2,294</b>	4,486
Mailing and document processing services	<b>6,589</b>	6,589
Mobile value added services	<b>764</b>	4,255
Engineering works	<b>2,470</b>	2,470
	<b>12,117</b>	17,800

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 14. INTANGIBLE ASSETS (CONT'D.)

#### Impairment testing of goodwill (cont'd.)

Due to the shortfall in the recoverable amount against the carrying amount of the computer software development, sales and support CGU and mobile value added services CGU in the information technology segment, management has recognised impairment loss of RM2,192,000 and RM3,491,000 respectively in the current year against goodwill with a carrying amount of RM17,800,000 as at 31 December 2016. The impairment charge of RM5,683,000 (2016: RM1,046,000) is recorded within other expenses in the statements of comprehensive income.

The recoverable amount of all the CGUs are based on value in use, except for two CGUs that are based on fair value less costs to sell for the year ended 31 December 2017.

#### (a) Value in use

Value in use basis is determined using cash flow projections based on financial budgets approved by management covering a five-year period.

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

##### (i) Gross margin

The basis used to determine the value assigned to the gross margin is based on past experience, actual operating results and the 5-year business plan. These are increased over the budget period for anticipated efficiency improvements.

##### (ii) Revenue growth

The basis used to determine the revenue growth is based on past experience, actual operating results and the 5-year business plan. The anticipated annual revenue growth included in the cash flow projections is within the growth levels experienced by the CGU in the past.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**14. INTANGIBLE ASSETS (CONT'D.)****(a) Value in use (cont'd.)****(iii) Long term growth rate**

The cash flows beyond the five-year period are extrapolated using the long term growth rates as follows that are consistent with the long-term average growth rate for the industry and the country in which the entity operates.

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
Mailing and document processing services	<b>Nil</b>	2%
Mobile value added services	<b>1%</b>	1%
Engineering works	<b>1%</b>	1%

**(iv) Discount rates**

The discount rates used as follows are pre-tax and reflect specific risks relating to the relevant segments.

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
Mailing and document processing services	<b>Nil</b>	13%
Mobile value added services	<b>19%</b>	12%
Engineering works	<b>13%</b>	11%

Sensitivity to changes in assumptions

For CGU of mobile value added services, a rise of 1% in the discount rate would result in impairment of goodwill.

For CGU of engineering works, the stability in the demand for energy sector makes the segment more stable. Minor movement in the discount rate would not result in any significant impact on the goodwill.

**(b) Fair value less cost to sell**

The recoverable amount of the two CGUs, computer software development, sales and support CGU and mailing and document processing services CGU under this basis is derived based on estimated best information available to reflect the amount obtainable in an arm's length transaction, less cost of disposal. The available market estimates are given preference over internal discounted cash flow calculations of these CGUs.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted ordinary shares, at cost	63,258	59,258
Redeemable convertible preference shares	2,140	2,140
	65,398	61,398
Less: Accumulated impairment losses	(20,885)	(11,015)
	44,513	50,383

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest (%)	
			2017	2016
Held by the Company:				
Motordata Research Consortium Sdn. Bhd.	Malaysia	Development and provision of a centralised parts pricing database for Malaysian insurance industry.	60	60
Educational Trend Sdn. Bhd.	Malaysia	Development and marketing of computer aided educational software.	77	77
Dapat Vista (M) Sdn. Bhd. ^	Malaysia	Business related to providing mobile value added services.	80	80
Inter-City MPC (M) Sdn. Bhd.	Malaysia	Provision of mail processing and its related services.	100	100
Integrated Healthcare Solutions Sdn. Bhd.	Malaysia	Provision of a one-stop customer support service centre and consultancy service desks.	100	100
HeiTech i-Solution Sdn. Bhd.	Malaysia	Computer software development and marketing of software, contract programming services and product systems integration and other computer related services.	100	100
HeiTech Next Sdn. Bhd	Malaysia	Provision of research and development in developing, installing and supporting software for small and medium sized industries.	100	100



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows (cont'd.):

Name	Country of incorporation	Principal activities	Effective equity interest (%)	
			2017	2016
Held by the Company (cont'd.):				
HeiTech Defence System Sdn. Bhd.	Malaysia	Provision for information and communication technology products and services for the defence industry.	100	100
PSG Data Sdn. Bhd.	Malaysia	Provision for information and communication technology products and services for the health industry.	100	100
HeiTech Managed Services Sdn. Bhd.	Malaysia	Provision of consultancy services, network management, local area network design and installation services.	100	100
HeiTech Academy Sdn. Bhd.	Malaysia	Dormant.	100	100
Vante Sdn. Bhd.	Malaysia	Dormant.	100	100
Megacenter System Sdn. Bhd.	Malaysia	Dormant.	100	100
Domainedge Sdn. Bhd.	Malaysia	Dormant.	100	100
Cinix 1 Pty. Ltd. ^	Australia	Computer software development, sales and support for the motor body industry.	100	100
Duta Technic Sdn. Bhd. ^	Malaysia	Provision of engineering, procurement, construction and commissioning ("EPCC") services.	51	51
HeiTech NX Sdn. Bhd. ^	Malaysia	Dormant.	100	100
HeiTech Global Services Sdn. Bhd. ^	Malaysia	Dormant.	100	100
HeiTech Transbiz Sdn. Bhd. ^	Malaysia	Dormant.	100	100
PT. Intercity Kerlipan ^	Indonesia	Provision of mail processing and its related services.	70	-

^ Audited by firms other than Hanafiah Raslan and Mohamad.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows (cont'd.):

Name	Country of incorporation	Principal activities	Effective equity interest (%)	
			2017	2016
Held through a subsidiary, Inter-City MPC (M) Sdn. Bhd				
Pro Office Solutions Sdn. Bhd.	Malaysia	Provision of mail processing and itsrelated services.	100	100
PT. Intercity Kerlipan ^	Indonesia	Provision of mail processing and its related services.	-	70

**(a) Internal reorganisation**

During the year, the Company's subsidiary, Inter-City MPC (M) Sdn. Bhd. disposed its of entire shares in PT. Intercity Kerlipan to its holding company, HeiTech Padu Berhad for a consideration of RM4 million. There was no cash exchanged as the amount was offsetted with the amount due from Inter-City MPC (M) Sdn. Bhd. The above transaction has no impact to the Group as it involves internal reorganisation.

**(b) Material partly-owned subsidiary**

Financial information of the subsidiaries that have material non-controlling interests ("NCI") are provided below:

	2017		2016	
	Motordata Research Consortium Sdn. Bhd. RM'000	Duta Technic Sdn. Bhd. RM'000	Motordata Research Consortium Sdn. Bhd. RM'000	Duta Technic Sdn. Bhd. RM'000
NCI percentage of ownership interest and voting interest	<b>40%</b>	<b>49%</b>	40%	49%
Carrying amount of NCI	<b>2,494</b>	<b>2,701</b>	2,225	3,595
Profit/(loss) allocated to NCI	<b>669</b>	<b>(894)</b>	365	538

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

## (b) Material partly-owned subsidiary (cont'd.):

The summarised financial information before inter-company eliminations are as follows:

	2017		2016	
	Motordata Research Consortium Sdn. Bhd. RM'000	Duta Technic Sdn. Bhd. RM'000	Motordata Research Consortium Sdn. Bhd. RM'000	Duta Technic Sdn. Bhd. RM'000
<b>Assets and liabilities</b>				
Current assets	7,655	60,704	7,975	19,700
Non-current assets	2,511	54	879	40
Current liabilities	(4,230)	(54,904)	(3,291)	(12,583)
Non-current liability	-	(8)	-	(8)
<b>Equity</b>	<b>5,936</b>	<b>5,846</b>	<b>5,563</b>	<b>7,149</b>

	2017		2016	
	Motordata Research Consortium Sdn. Bhd. RM'000	Duta Technic Sdn. Bhd. RM'000	Motordata Research Consortium Sdn. Bhd. RM'000	Duta Technic Sdn. Bhd. RM'000
Revenue	7,213	80,725	5,673	20,673
Profit/(loss) for the year, representing total comprehensive income	1,673	(1,634)	912	1,283
Cashflows from/(used in):				
Operating activities	1,803	4,445	2,338	(1,556)
Investing activities	(3,316)	(33)	(433)	(26)
Financing activities	(1,000)	-	-	-
Net (decrease)/increase in cash and cash equivalents	(2,513)	4,412	1,905	(1,582)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	4,875	3,075	4,700	2,900
Addition	55	1,800	55	1,800
Share of post-acquisition reserves	4,364	4,420	-	-
	9,294	9,295	4,755	4,700
Less: Accumulated impairment losses	(4,875)	(4,875)	(4,700)	(4,700)
	4,419	4,420	55	-

Name	Country of incorporation	Principal activities	Effective equity interest (%)	
			2017	2016

**Held by the Company:**

East Coast Multimedia Academy Sdn. Bhd. ^	Malaysia	Dormant.	40	40
E-Komoditi Sdn. Bhd. ^	Malaysia	Business to business e-commerce solution provider.	40	40
Silvertech Global Ltd. ^	Bermuda	Investment holding.	49	-

**Held through a subsidiary, HeiTech i-Solutions Sdn. Bhd.**

Vantage Point Consulting Sdn. Bhd.	Malaysia	Provision of System Application and Products Consulting ("SAP") contract programming consultancy and turnkey project services.	29	29
------------------------------------	----------	--	----	----

**Held through an associate, Vantage Point Consultancy Sdn. Bhd.**

Vantage Point Consulting (Sg) Pte. Ltd. ^	Singapore	Provision of System Application and Products Consulting ("SAP") services in the ASEAN region.	29	29
---	-----------	---	----	----

^ Audited by firms other than Hanafiah Raslan &amp; Mohamad.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 16. INVESTMENTS IN ASSOCIATES (CONT'D.)

During the year, the Company acquired 49% interest in SilverTech Global Ltd., which is an investment holding company in Bermuda. SilverTech Global Ltd. is a private entity that is not listed on any public exchange.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2017		2016		
	Vantage Point Consulting Sdn. Bhd. RM'000	SilverTech Global Ltd. RM'000	E-Komoditi Sdn. Bhd. RM'000	Vantage Point Consulting Sdn. Bhd. RM'000	E-Komoditi Sdn. Bhd. RM'000
<b>Assets and liabilities</b>					
Current assets	29,813	1,814	1,847	27,802	9,139
Non-current assets	2,433	963	5,024	1,902	2,567
Current liabilities	(15,536)	(1,889)	(9,695)	(13,158)	(10,586)
Non-current liabilities	(167)	(986)	-	(578)	-
Equity	16,543	(98)	(2,824)	15,968	1,120
<b>Group's carrying amount of the investment</b>	4,424	(5)	-	4,186	234
Revenue	23,341	4,677	1,656	18,159	7,527
Other income	126	11	11	326	16
Administrative expenses	(21,685)	(5,279)	(6,275)	(16,683)	(6,958)
Finance costs	(493)	(8)	-	(455)	-
<b>Profit/(loss) before tax</b>	1,289	(599)	(4,608)	1,347	585
Income tax expense	(469)	-	-	(339)	-
Profit/(loss) for the year, representing total comprehensive income/(loss) for the year	820	(599)	(4,608)	1,008	585
Group's share of profit/(loss) for the year	238	(60)	(234)	292	234

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Available-for-sale financial assets:</b>				
Equity instruments (unquoted), at cost	<b>2,914</b>	2,914	<b>2,751</b>	2,751

Movement in available-for-sale in financial assets is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>At 1 January</b>	<b>2,914</b>	4,381	<b>2,751</b>	3,717
Impairment loss	-	(1,467)	-	(966)
<b>At 31 December</b>	<b>2,914</b>	2,914	<b>2,751</b>	2,751

The fair value information has not been disclosed for these financial instruments as their fair value can not be measured reliably due to the lack of quoted market price in an active market and assumption required for valuing these financial instruments.

## 18. LEASE RECEIVABLE

	Group and Company	
	2017 RM'000	2016 RM'000
<b>Current</b>		
Lease receivable (Note 22)	<b>23,452</b>	23,530
<b>Non-current</b>		
Lease receivable	<b>22,903</b>	37,003
	<b>46,355</b>	60,533

The lease receivable represents the present value of payments receivable from the Government of Malaysia in relation to a build and lease arrangement. The lease to the Government has been ascertained to be a finance lease. In determining the present value, a discount rate of 7.5% (2016: 7.5%) has been utilised.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**18. LEASE RECEIVABLE (CONT'D.)**

Future minimum lease receivable under finance lease together with the present value of the net minimum lease receivables are as follows:

	<b>Group and Company</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>
<b>Future minimum lease receivable</b>		
Less: Amount representing unwinding discount	<b>50,642</b>	67,801
Present value of minimum lease receivable	<b>(4,287)</b>	(7,268)
	<b>46,355</b>	60,533
<b>Present value of receivables:</b>		
Not later than 1 year	<b>23,452</b>	23,530
Later than 1 year but not later than 2 years	<b>22,903</b>	23,372
Later than 2 years but not later than 5 years	-	13,631
Present value of minimum lease receivable	<b>46,355</b>	60,533
Less: Amount due within 12 months	<b>(23,452)</b>	(23,530)
Amount due after 12 months	<b>22,903</b>	37,003

**19. DEFERRED TAXATION**

	<b>Group</b>		<b>Company</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
At 1 January	<b>736</b>	1,434	-	-
Recognised in profit or loss (Note 10)	<b>(316)</b>	(698)	-	-
At 31 December	<b>420</b>	736	-	-



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 19. DEFERRED TAXATION (CONT'D.)

Presented after appropriate offsetting as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax liabilities	505	786	-	795
Deferred tax assets	(85)	(50)	-	(795)
	420	736	-	-

Deferred tax assets of the Group and of the Company have not been recognised in respect of the following items:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unabsorbed capital allowances	2,434	-	2,416	-
Unrecognised tax losses	6,768	11,385	602	-
Other temporary differences	1,816	1,273	-	-
	11,018	12,658	3,018	-

The availability of the unrecognised tax losses, unabsorbed capital allowances and other temporary differences for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**19. DEFERRED TAXATION (CONT'D.)**

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

**Deferred tax (assets)/liabilities of the Group:**

	Unrecognised tax losses RM'000	Unabsorbed capital allowances RM'000	Capital allowance and depreciation differences RM'000	Other taxable/ (deductible) temporary differences RM'000	Total RM'000
At 1 January 2016	(734)	(180)	1,628	720	1,434
Recognised in profit or loss	422	(359)	144	(905)	(698)
At 31 December 2016 and 1 January 2017	<b>(312)</b>	<b>(539)</b>	<b>1,772</b>	<b>(185)</b>	<b>736</b>
Recognised in profit or loss	<b>(80)</b>	<b>2</b>	<b>(289)</b>	<b>51</b>	<b>(316)</b>
At 31 December 2017	<b>(392)</b>	<b>(537)</b>	<b>1,483</b>	<b>(134)</b>	<b>420</b>

**Deferred tax (assets)/liabilities of the Company:**

At 1 January 2016	(733)	(180)	913	-	-
Recognised in profit or loss	477	(359)	(118)	-	-
At 31 December 2016 and 1 January 2017	<b>(256)</b>	<b>(539)</b>	<b>795</b>	<b>-</b>	<b>-</b>
Recognised in profit or loss	<b>(88)</b>	<b>2</b>	<b>77</b>	<b>9</b>	<b>-</b>
At 31 December 2017	<b>(344)</b>	<b>(537)</b>	<b>872</b>	<b>9</b>	<b>-</b>

**20. INVENTORIES**

	Group	
	2017 RM'000	2016 RM'000
<b>Cost</b>		
Consumables	<b>758</b>	1,059

During the financial year, the amounts of inventories recognised as expense in bulk mailing processing charges of the Group were RM6,750,000 (2016: RM7,701,000).

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Trade receivables</b>				
Third parties	<b>114,715</b>	164,636	<b>89,666</b>	145,230
Amounts due from subsidiaries	-	-	<b>23,051</b>	26,534
	<b>114,715</b>	164,636	<b>112,717</b>	171,764
Less: Allowance for impairment				
- Third parties	<b>(25,586)</b>	(25,002)	<b>(20,398)</b>	(20,148)
- Amounts due from subsidiaries	-	-	<b>(7,435)</b>	(7,435)
	<b>89,129</b>	139,634	<b>84,884</b>	144,181
<b>Other receivables</b>				
Amounts due from subsidiaries (b)	-	-	<b>18,902</b>	9,881
Amount due from an associate (c)	<b>637</b>	-	<b>637</b>	-
Deposits	<b>2,708</b>	2,245	<b>2,210</b>	1,559
Prepayments	<b>660</b>	914	-	-
Sundry receivables (d)	<b>33,286</b>	23,244	<b>28,428</b>	25,977
	<b>37,291</b>	26,403	<b>50,177</b>	37,417
Less: Allowance for impairment				
- Sundry receivables (d)	<b>(23,556)</b>	(25,542)	<b>(23,291)</b>	(25,087)
- Amounts due from subsidiaries	-	-	<b>(989)</b>	-
	<b>13,735</b>	861	<b>25,897</b>	12,330
Total trade and other receivables	<b>102,864</b>	140,495	<b>110,781</b>	156,511
Add: Cash and bank balances (Note 24)	<b>94,887</b>	81,591	<b>72,358</b>	61,483
Less: Prepayments	<b>(660)</b>	(914)	-	-
<b>Total loans and receivables</b>	<b>197,091</b>	221,172	<b>183,139</b>	217,994

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 21. TRADE AND OTHER RECEIVABLES (CONT'D.)

#### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days (2016: 30 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

#### Ageing analysis of trade receivables

The ageing analysis of the Group's and of the Company's trade receivables is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	<b>45,102</b>	53,132	<b>46,021</b>	70,775
1 to 30 days past due not impaired	<b>7,967</b>	33,290	<b>6,314</b>	31,482
31 to 60 days past due not impaired	<b>10,338</b>	2,608	<b>9,536</b>	2,180
More than 61 days past due not impaired	<b>27,752</b>	50,604	<b>23,013</b>	39,744
	<b>46,057</b>	86,502	<b>38,863</b>	73,406
Impaired	<b>23,556</b>	25,002	<b>27,833</b>	27,583
	<b>114,715</b>	164,636	<b>112,717</b>	171,764

#### Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group's and of the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

#### Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM46,057,000 (2016: RM86,502,000) and RM38,863,000 (2016: RM73,406,000) respectively that are past due at the reporting date but not impaired.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group and the Company mainly the ministries and agencies related to Government of Malaysia. Based on past experience and no adverse information to date, the directors of the Group and of the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality of the customers and the balances are still considered fully recoverable.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 21. TRADE AND OTHER RECEIVABLES (CONT'D.)

## (a) Trade receivables (cont'd.)

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement in the allowance accounts used to record the impairment are as follows:

	Individually impaired			
	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables - nominal amounts	<b>25,586</b>	25,002	<b>27,833</b>	27,583
Less: Allowance for doubtful debts	<b>(25,586)</b>	(25,002)	<b>(27,833)</b>	(27,583)
	-	-	-	-

Movement in allowance accounts:

At 1 January	<b>25,002</b>	27,846	<b>27,583</b>	26,527
Charge for the year (Note 9)	<b>1,571</b>	6,072	<b>763</b>	4,722
Write off	<b>(129)</b>	(4,472)	-	(595)
Reversal of impairment loss (Note 9)	<b>(858)</b>	(4,444)	<b>(513)</b>	(3,071)
At 31 December	<b>25,586</b>	25,002	<b>27,833</b>	27,583

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

## (b) Amounts due from subsidiaries

Amounts due from subsidiaries are non-trade in nature, non-interest bearing, unsecured and are repayable on demand.

## (c) Amount due from an associate

Amounts due from an associate is non-trade in nature, non-interest bearing, unsecured and are repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 21. TRADE AND OTHER RECEIVABLES (CONT'D.)

## (d) Sundry receivables

Sundry receivables that are impaired

The Group's sundry receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sundry receivables				
- nominal amounts	<b>23,556</b>	25,542	<b>24,280</b>	25,087
Less: Allowance for impairment	<b>(23,556)</b>	(25,542)	<b>(24,280)</b>	(25,087)
	-	-	-	-

Movement in allowance accounts:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	<b>25,542</b>	22,171	<b>25,087</b>	21,545
Charge for the year (Note 9)	<b>49</b>	3,542	<b>1,038</b>	3,542
Write off	-	(171)	-	-
Reversal of impairment loss (Note 9)	<b>(2,035)</b>	-	<b>(1,845)</b>	-
At 31 December	<b>23,556</b>	25,542	<b>24,280</b>	25,087

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 22. OTHER CURRENT ASSETS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Due from customers on contracts (Note 23)	<b>109,724</b>	81,697	<b>83,050</b>	71,132
Lease receivable (Note 18)	<b>23,452</b>	23,530	<b>23,452</b>	23,530
	<b>133,176</b>	105,227	<b>106,502</b>	94,662

## 23. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amounts due from customers on contracts (Note 22)	<b>109,724</b>	81,697	<b>83,050</b>	71,132
Amounts due to customers on contracts	<b>(8,495)</b>	(1,554)	<b>(8,117)</b>	(1,554)
	<b>101,229</b>	80,143	<b>74,933</b>	69,578
Contract costs incurred to date	<b>218,979</b>	107,062	<b>131,586</b>	84,218
Attributable profits	<b>26,509</b>	13,031	<b>16,260</b>	1,226
	<b>245,488</b>	120,093	<b>147,846</b>	85,444
Less: Progress billings	<b>(144,259)</b>	(39,950)	<b>(72,913)</b>	(15,866)
	<b>101,229</b>	80,143	<b>74,933</b>	69,578

Amounts of contract revenue and contract costs recognised in the financial year are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Contract revenue	<b>145,525</b>	35,145	<b>65,798</b>	14,969
Contract costs incurred during the year	<b>125,460</b>	29,351	<b>50,808</b>	13,744

The contract revenue and contract costs are derived from revenue from long-term contracts.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 24. CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash at banks and in hand	<b>22,138</b>	23,026	<b>7,673</b>	12,744
Deposits with licensed banks	<b>72,749</b>	58,565	<b>64,685</b>	48,739
Cash and bank balances	<b>94,887</b>	81,591	<b>72,358</b>	61,483

Deposits with licensed banks of the Group and of the Company amounting to RM72,749,000 (2016: RM58,565,000) and RM64,685,000 (2016: RM48,739,000) respectively are pledged as securities for loans and borrowings (Note 25).

Deposits with licensed banks earn interests at the respective deposit rates. The weighted average effective interest rate as at 31 December 2017 for the Group and the Company was 2.49% (2016: 3.20%) per annum and 2.22% (2016: 2.19%) per annum respectively. The average days to maturity period as at 31 December 2017 for the Group and the Company was 124 days (2016: 80 days) and 107 days (2016: 121 days) respectively.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	<b>94,887</b>	81,591	<b>72,358</b>	61,483
Less: Bank overdrafts (Note 25)	<b>(12,922)</b>	(34,062)	<b>(12,922)</b>	(34,061)
	<b>81,965</b>	47,529	<b>59,436</b>	27,422
Deposits with licensed banks with maturity more than 3 months	<b>(4,629)</b>	(3,114)	-	-
Deposits pledged as securities for bank borrowings	<b>(68,120)</b>	(52,345)	<b>(64,685)</b>	(48,739)
Cash and cash equivalents	<b>9,216</b>	(7,930)	<b>(5,249)</b>	(21,317)



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 25. LOANS AND BORROWINGS

		Group		Company	
	Maturity	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current					
Secured:					
Term loans	2018	15,443	17,502	14,818	16,944
Bank overdrafts	On demand	12,922	34,062	12,922	34,061
Revolving credits	2018	100,961	85,078	95,325	85,079
Obligations under finance finance leases (Note 30(c))	2018	704	326	103	102
		130,030	136,968	123,168	136,186
Non-current					
Secured:					
Term loans	2019 - 2023	19,250	32,748	14,552	27,204
Obligations under finance leases (Note 30(c))	2019 - 2021	1,313	474	271	379
		20,563	33,222	14,823	27,583
Total loans and borrowings		150,593	170,190	137,991	163,769

The remaining maturities of loans and borrowings as at 31 December are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Maturity of loans and borrowings:				
Within one year	<b>130,030</b>	136,968	<b>123,168</b>	136,186
More than 1 year and less than 2 years	<b>15,858</b>	15,863	<b>14,097</b>	14,925
More than 2 years and less than 5 years	<b>4,705</b>	17,359	<b>726</b>	12,658
	<b>150,593</b>	170,190	<b>137,991</b>	163,769

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**25. LOANS AND BORROWINGS (CONT'D.)**

The remaining maturities of loans and borrowings as at 31 December are as follows: (cont'd.)

Term loans

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Term loan 1	<b>a</b>	<b>29,370</b>	42,021	<b>29,370</b>	42,021
Term loan 2	<b>b</b>	-	2,127	-	2,127
Term loan 3	<b>c</b>	<b>5,322</b>	6,102	-	-
		<b>34,692</b>	50,250	<b>29,370</b>	44,148

- (a) Term loan 1 is drawdown by the Company in relation to the design, build, supply, install, commission and maintain the Tactical Operational Flight Trainer, the building facilities and the Computer Based Trainer on the contract awarded by the Ministry of Defense of Malaysia.

Term loan 1 is secured by the following:

- Assignment of all contract proceeds of the Company with the exception of the Government-related contracts.

- (b) Term loan 2 is drawdown by the Company in relation to the construction of a data centre.

Term loan 2 is secured by the following:

- First, second and third legal charge over the freehold land of the Company as disclosed in Note 13;
- Assignment of all contract proceeds of the Company with the exception of the Government-related contracts.

- (c) Term loan 3 is drawdown by Inter-City MPC (M) Sdn. Bhd. in relation to the acquisition of Pro Office Solutions Sdn. Bhd..

Term loan 3 is secured by the following:

- First legal charge over a building of the subsidiary as disclosed in Note 13 to the financial statements;
- Joint and several guarantee by certain directors.

Term loans bear interest at respective term loan's rates. The weighted average effective interest rate of term loans of the Group were 6.12% (2016: 6.07%) per annum. The repayment of the Group's term loans are due from 2018 to 2023.

Bank overdrafts

Bank overdrafts are secured by negative pledge on all present and future unencumbered assets of the Company. The weighted average effective interest rate of bank overdrafts was 6.3% (2016: 7.49%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 25. LOANS AND BORROWINGS (CONT'D.)

Revolving credits

Revolving credits are secured by deposits with licensed banks, negative pledge on all present and future unencumbered assets of the Company. The weighted average effective interest rate of revolving credits was 5.62% (2016: 5.56%) per annum.

## 26. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Trade payables</b>				
Third parties	55,345	59,389	33,993	55,243
Amount due to subsidiaries	-	-	57,753	51,109
Amount due to an associate	1,273	903	1,273	903
	<b>56,618</b>	60,292	<b>93,019</b>	107,255
<b>Other payables</b>				
Amount due to directors of a subsidiary	4,972	5,775	-	-
Amount due to a related party	1,000	1,000	1,000	1,000
Deposits	660	1,354	660	1,354
Accruals	13,649	13,309	11,530	12,056
Sundry payables	41,671	25,749	25,452	12,664
	<b>61,952</b>	47,187	<b>38,642</b>	27,074
<b>Total trade and other payables</b>	<b>118,570</b>	107,479	<b>131,661</b>	134,329
Add: Loans and borrowings (Note 25)	<b>150,593</b>	170,190	<b>137,991</b>	163,769
<b>Total financial liabilities carried at amortised cost</b>	<b>269,163</b>	277,669	<b>269,652</b>	298,098

## (a) Trade Payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2016: 30 to 90 days) terms.

## (b) Amount due to directors of a subsidiary

The amount due to directors of a subsidiary is unsecured, bears interest at 10% per annum and is repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 27. SHARE CAPITAL AND SHARE PREMIUM

	Group and Company			
	Number of ordinary shares		Amount	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Authorised:</b>				
At 1 January/31 December	- *	200,000	- *	200,000

	Group and Company			
	Number of ordinary shares	Amount		
		Share capital (Issued and fully paid) RM'000	Share capital (Issued and fully paid) RM'000	Total share capital and share premium RM'000
At 1 January 2016, 1 January 2017, 31 December 2016	101,225	101,225	16,526	117,751
Effect of implementation of the Companies Act 2016	-	16,526	(16,526)	-
At 31 December 2017	101,225	117,751	-	117,751

\* The Companies Act 2016 in Malaysia which came into effect on 31 January 2017 abolished the concept of authorised share capital and par value of share capital.

^ Share premium relates to the amount that shareholders have paid for the shares in excess of the nominal value. With the Companies Act 2016 ("the Act") in Malaysia came into effect on 31 January 2017, the credit standing in the share premium account of RM16,526,000 has been transferred to the share capital account. Pursuant to subsection 618(3) of the Act, the Company may exercise its right to use the credit amount being transferred from share premium within 24 months after the commencement of the Act.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**28. RETAINED EARNINGS**

The Company may distribute dividends out of its entire retained earnings as at 31 December 2017 and 31 December 2016 under the single-tier system.

**29. FOREIGN CURRENCY TRANSLATION RESERVE**

	<b>2017 RM'000</b>	<b>2016 RM'000</b>
<b>Group</b>		
<b>At 1 January</b>	<b>663</b>	(1,636)
Other comprehensive income:		
Foreign currency translation	<b>(994)</b>	2,299
<b>At 31 December</b>	<b>(331)</b>	663

The foreign currency translation reserve represents exchange differences arising from translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

**30. COMMITMENTS AND CONTINGENCIES****a) Capital commitments**

Capital expenditure as at the reporting date is as follows:

	<b>Group and Company</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	<b>691</b>	2,786
Approved but not contracted for:		
Property, plant and equipment	<b>52</b>	52

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 30. COMMITMENTS AND CONTINGENCIES (CONT'D.)

## (b) Operating lease commitments - as lessee

The Group has entered into a non-cancellable operating lease agreement for the use of buildings. This lease has remaining 2 years life with renewal options and right of first refusal included in the contracts. There are no restrictions placed upon the Group by entering into this lease.

Future aggregate minimum rentals payable under non-cancellable operating leases contracted for (excluding land use rights) as at the reporting date but not recognised as liabilities are as follows:

	Group and Company	
	2017 RM'000	2016 RM'000
Future minimum lease payments:		
Not later than 1 year	4,290	4,680
Later than 1 year and not later than 5 years	-	4,290
	4,290	8,970

## (c) Finance lease commitments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Minimum lease payments:</b>				
Within 1 year	816	347	123	123
More than 1 year and not less than 2 years	504	218	123	123
More than 2 years and less than 5 years	958	287	159	287
Total minimum lease payments	2,278	852	405	533
Less: Future finance charges	(261)	(52)	(31)	(52)
Present value of hire purchase liabilities	2,017	800	374	481

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 30. COMMITMENTS AND CONTINGENCIES (CONT'D.)

## (c) Finance lease commitments (cont'd.)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Analysis of present value of finance lease liabilities:</b>				
Within 1 year	<b>704</b>	326	<b>103</b>	102
More than 1 year and not less than 2 years	<b>422</b>	203	<b>112</b>	107
More than 2 years and less than 5 years	<b>891</b>	271	<b>159</b>	272
	<b>2,017</b>	800	<b>374</b>	481
Less: Amount due within 12 months	<b>(704)</b>	(326)	<b>(103)</b>	(102)
Amount due after 12 months	<b>1,313</b>	474	<b>271</b>	379

The Group has entered into hire purchase agreements for motor vehicles and equipment as disclosed in Note 13. The hire purchase payable bore effective interest rate of 2.61% (2016: 2.51%) per annum.

## (d) Financial guarantee

	Company	
	2017 RM'000	2016 RM'000
Unsecured:		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	<b>5,213</b>	5,185

No value has been placed on the corporate guarantee provided by the Company as the directors have assessed the guarantee contracts and concluded that the financial impact of the guarantee is not material as the subsidiaries concerned are in positive financial standing to meet their obligations as and when they fall due.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 31. RELATED PARTY DISCLOSURES

## (a) Transaction with related parties

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	2017 RM'000	2016 RM'000
<b>Group</b>		
Services provided to Permodalan Nasional Berhad (PNB), a corporate shareholder of the Company:		
- Network related services	(8,503)	(7,430)
Services provided to Amanah Saham Nasional Berhad, a fund manager of PNB	(24,627)	(22,942)
Rental income of office space by PNB	(717)	(702)
Rental expenses of building to PNB	4,981	4,979
<b>Company</b>		
Cost of services rendered by subsidiaries	283,568	268,339
Rental expenses of building to PNB	4,981	4,979
Dividend income received from a subsidiaries	(4,600)	(14,040)
Rental income of equipments by subsidiaries	(6,881)	(6,136)
Rental income of office space by PNB	(717)	(702)
Office rental receivable from a subsidiary	(254)	(270)

The Directors are of the opinion that the above transactions are in the normal course of business and at terms mutually agreed between parties.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 31. RELATED PARTY DISCLOSURES (CONT'D.)

## (b) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly, including any director of the entity.

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term employee benefits	3,653	2,717	3,479	2,540
Defined contribution plan	172	136	172	136
	3,825	2,853	3,651	2,676

Included in the total key management personnel is:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' remuneration (Note 7)	1,619	1,342	1,445	1,165

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Chief Executive Officer and management. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

#### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For the financial assets (including investments and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's and the Company's exposure to bad debts is not significant.

##### Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

##### Credit risk concentration

At the reporting date, approximately 30% (2016: 48%) of the Group's trade receivables were due from public sector agencies in Malaysia.

##### Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 21. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

##### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

#### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's overall liquidity risk management is to maintain sufficient levels of cash to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company raise funding from shareholders, capital markets and financial institutions and balance their portfolio with some short term funding so as to achieve overall cost effectiveness.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

## (b) Liquidity risk (cont'd.)

## Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contracted undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
<b>Group</b>			
<b>31 December 2017</b>			
<b>Financial liabilities:</b>			
Trade and other payables (Note 26)	118,570	-	118,570
Loans and borrowings (Note 25)	130,030	20,824	150,854
Total undiscounted financial liabilities	248,600	20,824	269,424
<b>31 December 2016</b>			
<b>Financial liabilities:</b>			
Trade and other payables (Note 26)	107,479	-	107,479
Loans and borrowings (Note 25)	136,968	33,274	170,242
Total undiscounted financial liabilities	244,447	33,274	277,721

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

## (b) Liquidity risk (cont'd.)

## Analysis of financial instruments by remaining contractual maturities (cont'd.)

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contracted undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
<b>Company</b>			
<b>31 December 2017</b>			
<b>Financial liabilities:</b>			
Trade and other payables (Note 26)	131,661	-	131,661
Loans and borrowings (Note 25)	123,168	14,854	138,022
Total undiscounted financial liabilities	254,829	14,854	269,683
<b>31 December 2016</b>			
<b>Financial liabilities:</b>			
Trade and other payables (Note 26)	134,329	-	134,329
Loans and borrowings (Note 25)	136,186	27,635	163,821
Total undiscounted financial liabilities	270,515	27,635	298,150

## (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The Group's and the Company's policy is to manage interest cost using a mix of fixed and floating rate borrowings.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM113,000 (2016: RM116,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, higher/lower interest income from floating rate loans to related parties, and lower/higher positive fair value of an interest rate swap. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

## (d) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposure arising from sales or purchases that are denominated in a currency other than the functional currency of the Group, RM. The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"), Australian Dollars ("AUD") and Indonesian Rupiah ("IDR").

The Group operates mainly in Malaysia and transacts predominantly in RM. As such, it is not materially exposed to foreign exchange risk.

## 33. FAIR VALUE OF FINANCIAL INSTRUMENTS

## A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

		Group		Company	
	Note	Carrying amount RM'000	Fair value Level 2 RM'000	Carrying amount RM'000	Fair value Level 2 RM'000
2017					
Financial asset					
Available-for-sale financial assets (non-current)					
- Unquoted shares, at costs	17	2,914	*	2,751	*
Financial liability					
Loans and borrowings (non-current)					
- Term loans	25	19,250	16,650	14,552	12,921

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

## A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd.)

	Note	Group		Company	
		Carrying amount RM'000	Fair value Level 2 RM'000	Carrying amount RM'000	Fair value Level 2 RM'000
2016					
Financial asset					
Available-for-sale financial assets (non-current)					
- Unquoted shares, at costs	17	2,914	*	2,751	*
Financial liability					
Loans and borrowings (non-current)					
- Term loans	25	32,748	27,806	27,204	23,550

\* Available-for-sale financial assets (unquoted shares) carried at cost (Note 17)

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments mainly represent ordinary shares in companies that are not quoted in any market. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is insignificant. The Group does not intend to dispose of this investment in the foreseeable future.

The fair value of the Group's long term financial instruments are categorised as level 2 in the fair value hierarchy as they are estimated by discounting the future contractual cash flows at the current market rate available for similar instruments.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

#### B. Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are the classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	21
Loans and borrowings (current)	25
Trade and other payables	26
Obligations under finance lease (current)	30(c)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to the relatively short-term nature.

The carrying amounts of loans and borrowings are reasonable approximation of fair value due to the insignificant impact of discounting.

### 34. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at reasonable level. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

**34. CAPITAL MANAGEMENT (CONT'D.)**

The gearing ratios as at 31 December 2017 and 31 December 2016 are as follows:

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans and borrowings	25	<b>150,593</b>	170,190	<b>137,991</b>	163,769
Trade and other payables	26	<b>118,570</b>	107,479	<b>131,661</b>	134,329
Less: Cash and bank balances	24	<b>(94,887)</b>	(81,591)	<b>(72,358)</b>	(61,483)
Net debt		<b>174,276</b>	196,078	<b>197,294</b>	236,615
Equity attributable to owners of the parent, represents total capital		<b>151,222</b>	171,275	<b>120,030</b>	143,243
<b>Capital and net debt</b>		<b>325,498</b>	367,353	<b>317,324</b>	379,858
<b>Gearing ratio</b>		<b>54%</b>	53%	<b>62%</b>	62%

**35. SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on its products and services, and has three reportable operating segments as follows:

- (I) Information technology
- (II) Mailing and document processing services
- (III) Engineering works

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are allocated to operating segments accordingly.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 35. SEGMENT INFORMATION (CONT'D.)

Transfer prices between operating segments are at terms agreed between the parties during the financial year.

Geographical information

Revenue information based on the geographical location of the operations of the Group are as follows:

	Group			
	2017		2016	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	<b>420,488</b>	<b>98%</b>	356,341	98%
Australia	<b>4,117</b>	<b>1%</b>	4,126	1%
Indonesia	<b>2,267</b>	<b>1%</b>	2,121	1%
	<b>426,872</b>	<b>100%</b>	362,588	100%

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 35. SEGMENT INFORMATION (CONT'D.)

	Information Technology				Mailing and document processing services				Engineering works				Total segments				Adjustments and eliminations				Consolidated financial statements			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue:</b>																								
External sales	321,983	313,991	24,164	27,924	80,725	20,673	426,872	362,588	-	-	-	-	426,872	362,588	426,872	362,588					426,872	362,588		
Other income	19,574	29,953	195	1,210	136	169	19,905	31,332	(11,457)	(20,589)			19,905	31,332	(11,457)	(20,589)					8,448	10,743		
Inter-segment	283,568	268,339	-	-	-	-	283,568	268,339	(283,568)	(268,339)			283,568	268,339	(283,568)	(268,339)					-	-		
																					-	-		
Total	625,125	612,283	24,359	29,134	80,861	20,842	730,345	662,259	(295,025)	(288,928)			730,345	662,259	(295,025)	(288,928)					435,320	373,331		
<b>Results:</b>																								
Finance costs	(6,328)	(7,225)	(256)	(340)	-	-	(6,584)	(7,565)	-	-			(6,584)	(7,565)	-	-					(6,584)	(7,565)		
Interest income	1,633	1,556	92	148	136	169	1,861	1,873	-	-			1,861	1,873	-	-					1,861	1,873		
Depreciation and amortisation	(10,367)	(10,381)	(2,292)	(2,365)	(19)	(201)	(12,678)	(12,947)	-	-			(12,678)	(12,947)	-	-					(12,678)	(12,947)		
Other non-cash expenses	(3,370)	(8,807)	(207)	417	(15)	(47)	(3,592)	(8,437)	(4,335)	(1,046)			(3,592)	(8,437)	(4,335)	(1,046)					(7,927)	(9,483)		
Share of results of associates	-	-	-	-	-	-	-	-	(56)	526			-	-	(56)	526					(56)	526		
(Loss)/Profit before tax	(10,705)	27,739	(3,063)	173	(1,234)	1,990	(15,002)	29,902	461	(15,853)			(15,002)	29,902	461	(15,853)					(14,541)	14,049		
Taxation																					(805)	(6,166)		
(Loss)/Profit for the year																					(15,346)	7,883		

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 35. SEGMENT INFORMATION (CONT'D.)

	Information Technology				Mailing and document processing services				Engineering works				Total segments				Adjustments and eliminations				Consolidated financial statements			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets:</b>																								
Investment in associates	4,419	4,420	-	-	-	-	-	-	-	-	-	-	4,419	4,420	-	-	-	-	-	-	4,419	4,420	-	-
Additions to non-current assets	8,660	5,793	105	398	33	26	33	26	33	26	33	26	8,798	6,217	-	-	-	-	-	-	8,798	6,217	-	-
Segment assets	470,687	522,846	40,981	48,638	61,519	19,740	61,519	19,740	61,519	19,740	61,519	19,740	573,184	591,224	(137,268)	(130,699)	(137,268)	(130,699)	(137,268)	(130,699)	435,916	460,525	-	-
<b>Liabilities:</b>																								
Segment liabilities	311,070	344,164	13,537	14,014	56,004	12,591	56,004	12,591	56,004	12,591	56,004	12,591	380,611	370,769	(100,947)	(88,297)	(100,947)	(88,297)	(100,947)	(88,297)	279,664	282,472	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

## 35. SEGMENT INFORMATION (CONT'D.)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2017 RM'000	2016 RM'000
Impairment loss on goodwill	9	5,683	1,046
Impairment loss on software development cost	9	3,517	-
Impairment loss on available-for-sale financial assets	9	-	1,467
Impairment loss on investment in an associate	9	-	1,800
Impairment loss on trade and other receivables	9	1,620	9,614
Reversal of impairment loss on receivables	9	(2,893)	(4,444)
		7,927	9,483

C The following items are added to/(deducted from) segment (loss)/profit to arrive at "(loss)/profit before tax" presented in the consolidated statement of comprehensive income:

	2017 RM'000	2016 RM'000
Expenses from intersegment	517	(16,379)
Share of results of associates	(56)	526
	461	(15,853)

D Additions to non-current assets consist of:

	2017 RM'000	2016 RM'000
Property, plant and equipment	7,316	3,102
Intangible assets	1,482	3,115
	8,798	6,217

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 35. SEGMENT INFORMATION (CONT'D.)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

E The following item is deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2017 RM'000	2016 RM'000
Inter-segment assets	(137,268)	(130,699)

F The following item is deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2017 RM'000	2016 RM'000
Inter-segment liabilities	(100,947)	(88,297)

### 36. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 9 April 2018.



## LIST OF PROPERTIES

AS AT 31 DECEMBER 2017

Location	Description	Land/ Build-up a Area	Current Usage	Land/ Tenure	Net Book Value as at 31.12.2017	Valuation Amount	Date of Revaluation
No. 1 Jalan U8/81, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan.	HS (D) 142708, P.T. No. 17653, Mukim Damansara, Daerah Petaling, Selangor Darul Ehsan.	210,830 Sq. Ft.	HeiTech Village 2 World Class Data Center and business premise	Freehold	RM7.38 Million	RM43 Million	21 June 2016
Cyberjaya	HS (D) 7091 P.T. No. 12105, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan	0.4815 hectares	Vacant Land	Freehold	RM2.52 Million	RM6 Million	31 July 2015

## SHAREHOLDER ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### DIRECTORS' SHAREHOLDING AS AT 26<sup>TH</sup> MARCH 2018

No.	Name of Directors	Total Shareholdings
1.	DATO' SRI MOHD HILMEY BIN MOHD TAIB	7,820,184
2.	SYED AGEL BIN SYED SALIM	12,500
3.	DATO' MOHD FADZLI BIN YUSOF	-
4.	DATO' HAJI GHAZALI BIN AWANG	-
5.	TAN SRI DATO' SRI ABI MUSA ASA'ARI BIN MOHAMED NOR	-
6.	PUAN AMIZAR BINTI MIZUAR	-
7.	SULAIMAN HEW BIN ABDULLAH	-
8.	WAN AINOL ZILAN BINTI ABDUL RAHIM	-
<b>Total</b>		<b>7,832,684</b>

### SUBSTANTIAL SHAREHOLDERS AS AT 26<sup>TH</sup> MARCH 2018

No.	Name	ID Number	No. of Shares/ Securities	Holding Percentage
1.	ABB NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PADUJADE CORPORATION SDN BHD	37645P	30,330,000	29.962
2.	PERMODALAN NASIONAL BERHAD	038218X	23,143,700	22.863
<b>Total</b>			<b>53,473,700</b>	<b>52.826</b>

### ANALYSIS BY SIZE OF HOLDINGS AS AT 26<sup>TH</sup> MARCH 2018

Size of Shareholdings			No. of Shareholders/ Depositors	Holder Percentage	No. of Shares/ Securities	Holding Percentage
1	-	99	311	10.394	11,351	0.011
100	-	1,000	450	15.040	298,755	0.295
1,001	-	10,000	1,697	56.718	7,043,026	6.958
10,001	-	100,000	462	15.441	14,755,390	14.577
100,001	-	Above	72	2.406	79,116,778	78.159
<b>Total</b>			<b>2992</b>	<b>100</b>	<b>101,225,300</b>	<b>100</b>



## SHAREHOLDER ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### THIRTY (30) LARGEST SHAREHOLDINGS AS AT 26<sup>TH</sup> MARCH 2018

No.	Name	Shares	Percentage
1.	ABB NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PADUJADE CORPORATION SDN BHD	30,330,000	29.962
2.	PERMODALAN NASIONAL BERHAD	23,143,700	22.863
3.	ABB NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD HILMEY MOHD TAIB	4,465,400	4.411
4.	MOHD HILMEY BIN MOHD TAIB	3,354,784	3.314
5.	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	1,755,300	1.734
6.	SAFIEE BIN MOHAMMAD	1,012,045	0.999
7.	LEE KEK MING	1,000,000	0.987
8.	MANIMEGALAI A/P KOLANDAN	612,200	0.604
9.	TEOH CHIN SIANG	609,600	0.602
10.	LIEW SWEE MIO @ LIEW HOI FOO	532,000	0.525
11.	WAN ZAIDI BIN WAN JAAFAR	500,795	0.494
12.	ONG HUNG HOCK	500,000	0.493
13.	NOR IZZAH BINTI ISMAIL	450,000	0.444
14.	ONG BOON CHIANG @ CHAN BOON CHIANG	400,000	0.395
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD KOO TAI PING @ KOH KIAN TEE	398,400	0.393
16.	NG KAR BOON	390,000	0.385
17.	KAMSI AH BINTI ABU	360,190	0.355
18.	CHE NGAH BIN IBRAHIM	339,681	0.335
19.	OOI CHENG AIK	327,000	0.323
20.	TAN TEOH AIK	319,900	0.316
21.	LIM YIN SEW	310,000	0.306
22.	GOH SIANG GIANG	292,700	0.289
23.	LEONG WAI HONG	292,100	0.288
24.	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAFIDAH BINTI PAWANCHIK (SMT)	275,500	0.272
25.	LIM HSIU HOON	262,100	0.258
26.	TEO BENG JIN	260,000	0.256
27.	MARIAM BINTI HARON	252,405	0.249
28.	LIM YOON CHE	246,174	0.243
29.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHUA LEE PING	244,800	0.241
30.	HO WAN KOK	233,000	0.230
<b>Total</b>		<b>73,469,774</b>	<b>72.566</b>





## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT THE TWENTY THIRD (23<sup>RD</sup>) ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT BALLROOM SELANGOR 1, GRAND DORSETT SUBANG HOTEL, JALAN SS 12/1, 47500 SUBANG JAYA, SELANGOR DARUL EHSAN, MALAYSIA ON THURSDAY, 28 JUNE 2018 AT 10:30 A.M. FOR THE FOLLOWING PURPOSES:**

### AGENDA

#### AS ORDINARY BUSINESS

- |    |  |   |
|----|--|---|
| 1. | To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of Directors and Auditors thereon.   | <b>Please refer to Explanatory Note 1</b>             |
| 2. | To re-elect the following Directors who are retiring by rotation in accordance with Article 82 of the Company's Constitution:<br><br>(i) Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor<br>(ii) Tuan Syed Agel bin Syed Salim<br>(iii) Dato' Mohd Fadzli bin Yusof | <b>Resolution 1<br/>Resolution 2<br/>Resolution 3</b> |
| 3. | To re-elect Puan Amizar binti Mizuar who are retiring in accordance with Article 85 of the Company's Constitution and who being eligible, offers herself for re-election.  | <b>Resolution 4</b>                                   |
| 4. | To approve the payment of Directors' Fees, amounting to RM 210,000 for the financial year ended 31 December 2017.  | <b>Resolution 5</b>                                   |
| 5. | To approve the Payment of Directors' benefits for the period 29 <sup>th</sup> June 2018 until the next AGM. (Please see explanatory Note 2)  | <b>Resolution 6</b>                                   |
| 6. | To re-appoint Messrs. Hanafiah Raslan & Mohamad as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.   | <b>Resolution 7</b>                                   |

#### AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without modifications:

- |    |  |  |
|----|--|--|
| 7. | <b>Continuing in Office as Independent Non-Executive Director</b><br><br>"THAT authority be and is hereby given to the following Directors who have served as Independent Non-Executive Director of the Company for more than twelve (12) years, to continue to act as Independent Non-Executive Director of the Company pursuant to the Malaysian Code on Corporate Governance 2017:<br><br>(i) YBhg Dato' Haji Ghazali bin Awang<br>(ii) YBhg Dato' Mohd Fadzli bin Yusof<br>(iii) YBhg Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor   | <b>Resolution 8<br/>Resolution 9<br/>Resolution 10</b> |
| 8. | <b>Proposed Authority to Issue Shares.</b><br><br>"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby authorised to issue shares of the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of total issued capital of the Company for the time being AND THAT the Directors be and also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company." | <b>Resolution 11</b>                                   |



## NOTICE OF ANNUAL GENERAL MEETING

9. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

**Resolution 12**

"That, subject to the Companies Act, 2016 ("the Act"), the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("HeiTech Group") to enter into all transactions falling within the types of recurrent related party transactions of a revenue or trading nature which is necessary for HeiTech Group's day to day operations, as specified in Section 2.3 of the Circular to Shareholders dated 27 April 2018, with the related parties mentioned therein provided that the transactions are in the ordinary course of business and on normal commercial terms that are not favourable to the related parties than those generally available to the public and are not to detriment of the minority shareholders of the Company.

AND THAT the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:

- (i) the conclusion of the next AGM of HeiTech, at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed; or
- (ii) the expiration of the period within the next AGM of HeiTech is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in an AGM or EGM;

whichever is earlier.

AND FURTHER that the Board of Directors of HeiTech be authorised to do all acts, deeds, things and execute all necessary documents as they may consider necessary or expedient in the best interest of HeiTech with full power to assent to any conditions, variations, modifications and/or amendments in any manner in relation thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

10. To transact any other business of which due notice shall have been given in accordance with the Act.

**By Order of the Board**  
**HEITECH PADU BERHAD**

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

Subang Jaya  
30 April 2018

## NOTICE OF ANNUAL GENERAL MEETING

### NOTES:

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and vote at the meeting on his/her behalf. The proxy may but need not be a member of the Company and where there are two (2) proxies, the number of shares to be represented by each proxy must be stated.
2. A Member shall not appoint more than two (2) proxies to attend and vote at the Meeting except where a Member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the Securities Account.
3. Where a Member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
4. Where the appointment is executed by a corporation, it must be either under its Common Seal or the hand of its officer or attorney duly authorized.
5. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is guided or notarially certified copy of such power or authority, must be deposited at the office of the Company's Registrar: Tricor Investor & Issuing House Services Sdn Bhd (11324-H), Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the Meeting or at any adjournment thereof.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to the vote by way of poll. Independent Scrutineers will be appointed to conduct the polling process and to verify the results of the poll.
7. Only members registered in the Record of Depositors as at 23 June 2018 shall be eligible to attend the Annual General Meeting or appoint proxy to attend and vote on their behalf.

### EXPLANATORY NOTES TO THE AGENDA

1. Item 1 of the Agenda  
To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of Directors and Auditors thereon.

This is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item of the Agenda is not put forward for voting.

2. Item 5 of the Agenda  
To approve the Payment of Directors' benefits for the period 29<sup>th</sup> June 2018 until the next Annual General Meeting.

Section 230(1) of the Companies Act 2016 provides amongst others, that "fees" of the Directors and "any benefits" payable to Directors of a listed company and its subsidiaries shall be approved at a general meeting.

Pursuant thereto, shareholders' approval is sought for this payment in Resolution 6 for payment of Directors' benefits to Non-Executive Directors from 29<sup>th</sup> June 2018 until the next Annual General Meeting of the Company.

The Directors' benefits payable to the Non-Executive Directors until the next Annual General Meeting of the Company are calculated based on the current composition of the Board and Board Committees and the number of meetings scheduled for the Board and Board Committees.

Resolution 6 on the payment of Directors' benefits for the period from 29<sup>th</sup> June 2018 until the next Annual General Meeting of the Company 2019, sets out in the manner below:

Meeting Allowance (per meeting)	Chairman	Member
Board of Director Meeting	Nil	RM1,000
Audit Committee Meeting	RM1,500	RM1,000
Risk Management Committee Meeting	RM1,500	RM1,000
Nomination & Remuneration Committee Meeting	RM1,500	RM1,000



## NOTICE OF ANNUAL GENERAL MEETING

### 3. Item 7 of the Agenda Continuing in Office as Independent Non-Executive Director

The proposed resolutions if passed, will allow YBhg. Dato' Haji Ghazali bin Awang, YBhg. Dato' Mohd Fadzli bin Yusof, and YBhg. Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor to be retained and continue acting as Independent Directors, via a two-tier voting process, and to fulfil the requirement of Paragraph 3.04 of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

YBhg. Dato' Haji Ghazali bin Awang, YBhg. Dato' Mohd Fadzli bin Yusof, and YBhg. Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor were appointed as Independent Non-Executive Directors of the Company on 8 March 2005, 7 October 2005, and 17 October 2006 respectively and have exceeded cumulative twelve (12) years term limit recommended by the MCCG 2017.

In accordance with MCCG 2017, the Board of Directors of the Company, after having assessed the independence of YBhg. Dato' Haji Ghazali bin Awang, YBhg. Dato' Mohd Fadzli bin Yusof, and YBhg. Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor regarded them to be independent based amongst others, the following justifications and recommends that they be retained as Independent Non-Executive Directors of the Company.

- i. The Board of Directors are of the opinion that they are important Independent Non-Executive Directors of the Board in view of their many years on the Board with incumbent knowledge of the Company, proven commitment, experience and competence to effectively advice and oversee management in their role as Independent Non-Executive Directors.
- ii. They actively participate in Audit Committee and Board meetings' deliberation and decision making in an objective manner.
- iii. They fulfill the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa and they do not have any conflict of interest with the Company and have not entered into contract(s) especially material contract(s) with the Company and/or its subsidiary companies.

### 4. Item 8 of the Agenda Proposed Authority to Issue Shares

The Company has not issued any new shares under the general mandate for issuance and allotment of shares up to an aggregate amount not exceeding 10% of the issued and paid-up capital of the Company, which was approved at the 22<sup>nd</sup> Annual General Meeting held on 20 June 2017 and which will lapse at the conclusion of the 23<sup>rd</sup> Annual General Meeting to be held on 28 June 2018. A renewal of this mandate is sought at the 23<sup>rd</sup> AGM under proposed Ordinary Resolution 11.

The proposed Ordinary Resolution 11 if passed, is primarily to give flexibility to the Board of Directors to issue and allot ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company for the time being, at any time in their absolute discretion in the interest of the Company, without having to convene a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

The purpose of the general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

### 5. Item 9 of the Agenda Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolution 12 is to propose and if passed, will enable the Company and/or its subsidiary companies to enter into recurrent transactions involving the interest of Related Parties, which are necessary for the Group's day-to-day operations and undertaken at arm's length, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

For further information on proposed Resolution 12, please refer to Circular to Shareholders dated 27 April 2018 accompanying the Company's 2017 Annual Report.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the profile of the Directors who are standing for re-appointment and re-election are set out on pages 38 to 46 of the Annual Report and the details of the Directors' shareholdings in the Company, are set out on page 178 of the Annual Report.



## ADMINISTRATIVE GUIDELINE AND NOTES

### 23<sup>RD</sup> ANNUAL GENERAL MEETING

To valued shareholders,

**Administrative guidelines and notes for HeiTech Padu Berhad 23<sup>rd</sup> Annual General Meeting ("AGM")**

**Date : 28 June 2018**

**Time : 10.30 a.m.**

**Venue : BALLROOM SELANGOR 1, GRAND DORSETT SUBANG HOTEL, JALAN SS 12/1, 47500 SUBANG JAYA, SELANGOR DARUL EHSAN**

#### Registration

- Registration starts at 8.45 am, at the entrance of **BALLROOM SELANGOR 1**.
- Our AGM working team will assist you to ascertain which registration table you should approach for the purpose of registration. Please furnish us your original Identity Card (ID) to our AGM working team and ensure you collect your ID subsequently.
- Once verified, please write and sign up on our Attendance List.
- You will be provided with a polling slip by our AGM working team.
- Once registered please proceed to **BALLROOM SELANGOR 1**.
- You are not allowed to register on behalf another person even with the original ID of the other person.
- Our AGM working team handles verification and registration only. Please proceed to our AGM HELPDESK for any queries.

#### AGM HELPDESK

- Our AGM HELPDESK is located alongside the registration tables.
- In any event, our AGM working team will channel your queries to our respective AGM HELPDESK Personnel: Khyrul Anwaar Mohamed Nor Azizi.

#### PROXY AND CORPORATE MEMBER

- A member entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and where there are two (2) proxies, the number of shares to be represented by each proxy must be stated.
- To proceed with proxy appointment, the original Proxy Form which is attached together with the Company's 2017 Annual Report must be completed, signed, sent and delivered to the Company's Registrar: **Tricor Investor & Issuing House Services Sdn Bhd (11324-H), Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur by Tuesday, 26 June 2018 at 10.30 am.**
- In the case of member which is a company, the completed Proxy Form must be executed under its seal or under the hand of any officer or duly authorized attorney.

#### AGM ENQUIRY

- If you have any general AGM queries prior to the meeting, please do not hesitate to contact: HeiTech Padu Berhad, Group Company's Secretary Office at +(603) 8601 3125 OR the following person during office hours:

**Name : SUZANA BINTI ABDUL RAHIM**  
**Share Registrar : TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD**  
**Tel : +(603) 2783 9299**  
**E-mail : suzana@my.tricorglobal.com**

# PROXY FORM



No. of shares held	CDS Account No. of Authorised Nominee

I/We \_\_\_\_\_ NRIC No./Company No. \_\_\_\_\_  
(FULL NAME IN BLOCK CAPITALS)

of \_\_\_\_\_  
(FULL ADDRESS)

being (a) member(s) of HEITECH PADU BERHAD (310628-D), hereby appoint(s) [1] \_\_\_\_\_

NRIC No. \_\_\_\_\_ of \_\_\_\_\_

failing him/her, [2] \_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_

or failing him/her, the **CHAIRMAN OF THE MEETING** as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty Third (23<sup>rd</sup>) Annual General Meeting of the Company to be held at Ballroom Selangor 1, Grand Dorsett Subang Hotel, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on **Thursday, 28 June 2018, at 10.30 a.m.** or at any adjournment thereof.

The proxy is to vote on the resolutions set in the Notice of Meeting as indicated with an 'X' in the appropriate space below. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Resolutions		For	Against
Resolution 1	Re-election of YBhg. Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor as Director.		
Resolution 2	Re-election of Tuan Syed Agel bin Syed Salim as Director.		
Resolution 3	Re-election of Dato' Mohd Fadzli bin Yusof as Director.		
Resolution 4	Re-election of Puan Amizar binti Mizuar as Director.		
Resolution 5	Approval of the payment of Directors' fees, amounting to RM210,000 in respect of the financial year ended 31 December 2017.		
Resolution 6	Approval of the payment of Directors' benefits.		
Resolution 7	Re-appointment of Messrs. Hanafiah Raslan & Mohamad as the Company's Auditors and authority for Directors to fix the Auditors' remuneration.		
Resolution 8	Retention of YBhg. Dato' Haji Ghazali bin Awang as Independent Non-Executive Director.		
Resolution 9	Retention of YBhg. Dato' Mohd Fadzli bin Yusof as Independent Non-Executive Director.		
Resolution 10	Retention of YBhg. Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor as Independent Non-Executive Director.		
Resolution 11	Proposed authority for Directors to issue and allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016.		
Resolution 12	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

\_\_\_\_\_  
Signature of Shareholder or Common Seal of Shareholder

For appointment of two (2) proxies, number of shares and percentages of shareholding to be represented by each proxy:		
	No. of Shares	% of shareholding
Proxy 1		
Proxy 2		
Total		100%

Notes:

- 1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
- 2. A Member shall not appoint more than two(2) proxies to attend and vote at the Meeting provided that where a member is an authorized nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the Securities Account.

Where a Member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his shareholdings to be represented by each proxy.

- 3. Where the appointment is executed by a corporation, it must be either under its Common Seal or the hand of its officer or attorney duly authorized.
- 4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is guided or notarially certified copy of such power or authority, must be deposited at the office of the Company’s Registrar: Tricor Investor & Tricor Investor & Issuing House Services Sdn Bhd (11324-H), Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the Meeting or at any adjournment thereof.
- 5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

Fold here

AFFIX STAMP

**Share Registrar  
Tricor Investor & Issuing House Services  
Sdn. Bhd.**

Unit 32-01 , Level 32, Tower A Vertical Business Suite,  
Avenue 3 Bangsar South,  
No. 8 Jalan Kerinchi,  
59200 Kuala Lumpur, Malaysia

Fold here





[www.heitech.com.my](http://www.heitech.com.my)

HeiTech Padu Berhad (310628-D)  
Level 15, HeiTech Village, Persiaran Kewajipan, USJ 1,  
UEP Subang Jaya, 47600 Subang Jaya,  
Selangor Darul Ehsan, Malaysia

T\_+(603) 8026 8888 +(603) 8601 3000  
F\_+(603) 8024 7997

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5028  
**COMPANY NAME** : HeiTech Padu Berhad  
**FINANCIAL YEAR** : December 31, 2017

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established clear functions reserved for the Board and those delegated to the Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. The delineation of Board's roles and responsibilities are also clearly set out in the Board Charter which serves as a reference point for Board activities and reinforces the supervisory role of the Board.</p> <p>The Board is bestowed with duties and responsibilities to ensure the interest of shareholders are protected. The Board's roles and responsibilities are clearly set out in the Board Charter which spells out as follows:</p> <ul style="list-style-type: none"><li>• Reviewing and adopting a strategic plan for the Group;</li><li>• Overseeing the performance of the Management;</li><li>• Monitoring and managing principal risks of the business;</li><li>• Ensuring implementation of appropriate internal controls and mitigation measures;</li><li>• Succession planning for senior management;</li><li>• Overseeing the development and implementation of a stakeholder communication policy for the Group; and</li><li>• Reviewing the adequacy and the integrity of the management information and internal control system of the Group.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman's roles and responsibilities are established and he represents the holding company, and primarily responsible for the effective functioning of the Board and related corporate affairs, and for formulating general Company policies and managing strategic business decisions sanctioned by the Board of Directors. He is also responsible for the Board as the link in the chain of authority between the controlling shareholder and Chief Executive Officer, and that shareholders' and stakeholders' interest are safeguarded and there is effective communication with them. This ensures members of the Board develop and maintain an understanding of the views of shareholders and stakeholders.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	There is a clear division of responsibility between the Chairman and the Chief Executive Officer thus ensuring a balance of power and authority. The Chairman's role is to provide leadership and ensure the effectiveness of the Board's Governance processes, whilst the Chief Executive Officer manages the commercial and operational aspects of the business.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board is supported by a qualified and competent Company Secretaries to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices. The Directors are also regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements issued by regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The notices, minutes of meeting and the board papers, containing appropriate and relevant information are provided in advance and timely manner, as practicable, for each meeting to permit prior review by members of the board. All members of the board have access to the information and materials of the company and to the advice and services of the Company Secretary for any further information that they may require.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board’s stewardship has been formalised into a Board Charter, which provides a terms of reference for directors in relation to their duties and responsibilities, and functions of the Baord. The Charter is published in the Company’s website. The charter sets out the responsibilities of the members as a board which among others clearly separates the role of the Chairman of the board from the Group CEO.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Directors are expected to adhere to the Code of Business Conduct and Ethics which was designed to promote the principles of integrity, sincerity, honesty, responsibility, social responsibility and accountability in order to enhance the Group’s standard of corporate governance and behaviour. The Directors are obliged to follow the code as it is a way to manifest their commitment to professionalism and integrity	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

**Practice 3.2**

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied	
Explanation on application of the practice	:	A whistleblowing policy has been adopted in order to ensure that concerns or wrongdoings in relation to the Group may be raised. The Audit Committee has been tasked to facilitate the investigation and proposed the appropriate action to be taken.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.1**

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	At present, the composition of the board includes the Chairman as a non-executive director, 5 Independent Directors and 2 Non-Independent Directors. The composition fulfils the requirement set out under Malaysian Code of Corporate Governance 2017 ("MCCG 2017") which stipulates that at least half of the board comprises independent directors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Applied - Two Tier Voting
<b>Explanation on application of the practice</b>	:	<p>As at to date of this report, the following Directors have served more than 12 years as Directors of the Company, namely:</p> <ul style="list-style-type: none"><li>• Y.Bhg Dato' Haji Ghazali bin Awang</li><li>• Y.Bhg Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor</li><li>• Y.Bhg Dato' Mohd Fadzli bin Yusof</li></ul> <p>The board recognises that an individual's independence should not be determined solely based on tenure of service and that a continued tenure of directorship for an independent director brings considerable stability to the board and company.</p> <p>The board will justify and seek shareholders' approval, via a two-tier voting process in the upcoming 23<sup>rd</sup> Annual General Meeting of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Nomination and Remuneration Committee (“NCRC”) is empowered to review and make recommendations to the Board in identifying suitable candidates for Directors, Group Chief Executive Officer (“GCEO”), Chief Executive Officer (“CEO”) and Executive Vice President (“EVP”), and Senior Management. The NCRC considers various aspects which include the competencies, commitment, contribution and performance of a candidate.</p> <p>By referring to the MCCG 2017, in relation to diversity, the NCRC will review and select candidates that would be able to fulfil the criteria of integrity and competency, regardless of gender. As for the selection criteria with regards to diversity, the Committee strictly adhere to the selection process which emphasises on the qualification, background and the capabilities of the candidates.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.5**

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG 2017 to the establishment of boardroom and workforce gender diversity policy. The Board currently has two female directors which the Board is of the view, is in line with the gender diversity recommended by MCCG 2017 and also taken into consideration, the background and qualifications of the directors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.6**

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied	
Explanation on application of the practice	:	Identification of suitable and qualified candidates for the appointment of Directors is facilitated from various sources, including the recommendations from the Directors, Management and independent sources.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The Company has a nomination and remuneration committee comprising majority of independent directors. The nomination and remuneration committee is chaired by an independent director.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nomination Committee reviews and evaluates the assessment of Directors and the performance of other Committees on an annual basis. The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, Board Committee and as well as the Management performance.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The board has a remuneration policy and procedure for directors to ensure that the remuneration is appropriately prudent. The board is aware that a fair remuneration is critical to attract, retain and motivate its directors and key senior management employees.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The nomination and remuneration committee functions within its terms of reference as approved by the board. All members of the committee are independent non-executive directors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	Disclosure will be made in the Company’s annual report 2017 on named basis of the individual directors.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Company opts not to disclose the components of the remuneration of the top 5 Senior Management, which include their salary, bonus, benefits in-kind and other emoluments by virtue to preserve confidentiality.
		N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	N/A
<b>Timeframe</b>	:	Choose an item.

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	



**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Audit Committee is helmed by Y.Bhg Dato' Haji Ghazali bin Awang, who is an independent non-executive director and is not the chairman of the board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	None of the Audit Committee Members were former key audit partners.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied	
Explanation on application of the practice	:	In assessing the independence of the external auditors, the Audit Committee takes into consideration several factors, including the experience and tenure of the external auditors, the nature and level of the services provided, and the effectiveness of the audit process.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The members of the Audit Committee collectively has the necessary skills related to finance, audit, commercial expertise, and accountancy to meet their responsibilities and provide an effective level of challenge to management.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible to ensure the implementation of appropriate systems to manage risks. The risk management framework, which is embedded in the management systems of the Group, clearly defines the authority and accountability in implementing the risk management process and internal control system. The Management assists the Board in implementing the process of identifying, evaluating and managing significant risks applicable to their respective areas of business and in formulating suitable internal controls to mitigate and control these risks.</p> <p>The Management of each business units are responsible for managing risks within their respective areas of responsibilities and are required to conduct risk reviews on a quarterly basis to identify and document all possible risks that can affect their achievement, taking into consideration the effectiveness of controls that are capable of mitigating such risks.</p> <p>During the year, the significant risks of business units were presented to the Risk Management Committee ("RMC") on quarterly basis for their deliberation.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>HeiTech's risk management framework comprised of the following three main components:-</p> <p>a) Enterprise Risk Management (ERM) Process The Group's key risk profile was developed by the Management. Risks identified were assessed in terms of the possibility of occurrence and the impact to the Group if the risk materialise. Progress updates on the mitigation measures will be furnished on quarterly basis by risk owners for deliberation at the Central Risk Review Committee ("CRRC"). CRRC will assess the adequacy and effectiveness of the mitigation measures and further enhanced where necessary.</p> <p>b) Risk Management Committee ("RMC") RMC was established by the Board to signify the Group's commitment in further enhancing our risk management system. RMC is responsible for the overall oversight, implementation and monitoring of the Group-wide Enterprise Risk Management (ERM) Framework.</p> <p>c) Business Continuity Management ("BCM") The Management has embedded BCM into organisational culture which reflects our commitment in:</p> <ul style="list-style-type: none"><li>• Ensuring the survivability of the organisation and continuity of core business functions during disaster.</li><li>• Protecting corporate assets and controlling financial loss.</li><li>• Minimising the loss of customers.</li><li>• Facilitating the resumption of operations.</li><li>• Improving the ability to salvage damaged equipment and operations.</li><li>• Providing safety of employee and the public before, during, and after a disaster.</li></ul>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### **Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### **Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Risk Management Committee ("RMC") comprises majority of independent non-executive directors and is chaired by an independent director. The board meets and deliberates on the risks identified through RMC which held on quarterly basis.

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>HeiTech has an in-house Internal Audit function carried out by the Audit &amp; Assurance Department ("AA"). AA is led by the Director of Audit &amp; Assurance who reports directly to the Audit Committee, and is independent of the activities it audits. AA checks for compliance with the statutory / regulatory requirements, internal policies and procedures and review the work processes / procedures for efficiency and effectiveness.</p> <p>The Terms of Reference of the Internal Audit function are clearly spelt out in the Audit Charter that defines the roles, responsibilities, accountability and scope of work of the Department. AA had operated and performed in accordance to the principles of the Audit Charter that provides for its independence function.</p> <p>Internal audits are carried out throughout the Group to ensure consistency in the application of policies and procedures within the Company and the Group. AA independently reviews the internal control processes (financial, operational and IT controls) implemented by the Management.</p> <p>AA, through a systematic and structured approach is responsible for the following:-</p> <ol style="list-style-type: none"><li>1. Providing independent assurance to the Board and Management that an adequate and effective internal control system is in place to safeguard Group's assets;</li><li>2. Recommending improvements and enhancements to the existing system of internal control and work procedures/processes; and</li></ol> <p>Being a reference point to ensure effective implementation of policies and procedures and as an agent of change to promote best corporate governance practices.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 10.2

The board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee reviewed the adequacy of resources and the competencies of staff within the Audit &amp; Assurance Department ('AA') to ensure it has the required expertise and professionalism to discharge its duties. AA's activities remain free from interference by any element in the Group, including matters of audit selection, scope, procedures, frequency, timing or report content, in order to maintain the necessary independent and objective attitude. AA has no direct operational responsibility or authority over any of the activities reviewed.</p> <p>In order to ensure standardisation and consistency in providing assurance on the adequacy and effectiveness of the overall system of internal controls, all auditing activities are conducted in line with the Group's objectives and policies and in accordance with applicable laws and regulations and relevant policies and guidelines as guided by the Code of Ethics and International Standards for the Professional Practice of Internal Auditing (Standards) promulgated by the Institute of Internal Auditors. The activities of AA are guided by the Internal Audit Charter that defines the roles, responsibilities, accountability and scope of work of AA. All internal audit activities in 2017 were performed in-house by a group of 7 internal auditors from various background and competencies.</p> <p>AA is headed by the Director of Audit &amp; Assurance, Encik Ahmad Kamal bin Mohd Kassim who reports to the Audit Committee. He is a Chartered Member of The Institute of Internal Auditors Malaysia. He is also a Chartered Accountant of The Malaysian Institute of Accountants and holds a Bachelor Degree in Accountancy (Honours). He has more than 20 years' experiences in the areas of internal auditing, business process improvement, enterprise risk management and corporate governance assurance.</p> <p>A detailed Annual Audit Plan was presented to the Committee for approval annually. The Internal Audit function adopts risks-based approach following COSO (Committee of Sponsoring Organisation of</p>

	The Treadway Commission) as the Control Framework for financial and operational activity, and COBIT (Control Objectives for Information and Related Technology) for IT related audit, and prepares its audit strategy and plan based on the risk profiles of the major business units and support functions of the Group.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.1**

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied	
Explanation on application of the practice	:	The board ensures that stakeholders are kept informed and notified of company’s disclosures through announcements release to Bursa Malaysia. It practices timely disclosures of material information to the stakeholders of the company.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is not reporting as large company for Financial Year 2017 and has not adopted the integrated reporting.	
	:	The Company is not reporting as large company for Financial Year 2017.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:	Notice of AGM of the Company are at least given to shareholders at least 28 days prior to the meeting.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		



**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	All Directors attended the Annual General Meeting held in 20 <sup>th</sup> June 2017. The shareholders’ questions were responded accordingly by relevant members of the Board.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company does not hold its Annual General Meeting in remote locations. The location of the general meeting have always been held in the locations which are accessible by public transport.	
		In the event the shareholders are unable to attend the Annual General Meeting, the shareholders are allowed to appoint any person or the Chairman of the Meeting as their proxies to attend and vote in his stead at the Meeting.	
		Electronic voting is conducted at the AGM via e-polling with the presence of a scrutineer.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

## **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

Click here to enter text.

