HeiTech Padu Berhad
(310628-D)

HEITECH

ANNUAL REPORT 2016


REGISTRATION FOR SHAREHOLDERS

C O N T E N T S

CHAIRMAN'S STATEMENT

OUR VALUED SHAREHOLDERS AND STAKEHOLDERS,

2016 has proven to be another challenging year. The sustained low oil and gas prices and the squeezed value of Ringgit were among the drivers that piloted and chartered the economic path affecting everyone either from individual, corporate or public sectors.

HeiTech was no different in facing these challenges, and the struggle was further heightened by a market saturated with local and global players. HeiTech is aware that to sustain in this environment, it requires good strategies together with patience and perseverance.

Despite all the challenges that formed the economic backdrop in 2016, I am delighted to report that the Group has still managed to register a profitable result and I would like to iterate that all of this is not possible without the concerted effort of everyone involved.

Hence, I am taking this opportunity to record my deepest appreciation and sincerest thanks to all our stakeholders and shareholders for their continuous support and faith in the Group.

I would also like to express my profound gratitude to my Board Members for their wise counsel, support and leadership, and my Management Team for their hard work and keen insight into the business.

And last but not least, I would like to extend my wholehearted acknowledgment and thanks to the staff of HeiTech Group for their hard work, passion and dedication.

Thank you.

Dato' Sri Mohd Hilmey Mohd Taib
Chairman

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 IT 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 1,000 staff
- More than 80% are technical professionals

OUR EDGE

More than 20 years of IT 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.

We are driven by our passion and perseverance in order to deliver the best to our customers.

SOLUTIONS & SERVICES

As a Global IT 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.

IT 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: 2005), Quality Management System (ISO/IEC 9001: 2008) 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 consist of:
  - Data Centre Management Services
  - Infrastructure Development & Management Services
  - Business Recovery Management Services
  - Mainframe 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 99.8% 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
  - 3G
  - 4G
  - VSAT
  - Leased Line
  - Wireless Leased Line
  - Branch in a Bag
  - Managed Wifi as a Service (MWAS)

- **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
  - Security Operation Center as a Service
  - Platform as a Service

- **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 IT 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.

SOLUTIONS & SERVICES

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.
- Hybrid Client
  - e-Connect is a middleware that provides "protocol-switching" between application that use different network protocols, thus enabling interoperability among them.
- e-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, Financial Services, Healthcare, and Defence.

NATIONAL SECURITY

PintarID focuses on three business areas:

- Identity Management
  - National ID
  - Civil Registry (Birth, Death, Marriage, Divorce, Adoption, Citizenship, Household)
- Traveller Management
  - Passport Issuance
  - Visa Issuance
  - Border Management

TRANSPORT

- Road Transport Authority Management System (RTAMS)
- Vehicle Information System Integration (VISI) Solution
- Driver Information System
- Bus Integrated System
- Centralised Taxi Service System
- Automatic Number Plate Recognition
- Vehicle Entry Permit System (Road Charging Solution)
- Automated Road Driving Test and Training System
- Automatic Fare Collection System
- Terminal Operating System
- Single Window Ship Clearance System
- Maritime and Port Logistic Solution
- X-Screen Computer Based Training System
- Passenger Service System
- Aviation Lighting Solution
- Rail Communication System
- Train Signaling Solution

FINANCIAL SERVICES

- Islamic Integrated Computerised Banking System
- Conventional Integrated Computerised Banking System
- Insurance & Reinsurance Integrated System (Life, General, Takaful)
- Credit Management Solutions
- Investment Management System

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

- 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
- Mobile Application Solutions

ENTERPRISE SOLUTIONS

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

GLOBAL REACH

6 Countries
System Integration Services

5 Countries
PintarID Solutions

4 Countries
Data Centre Services

12 Global
Marketplace

Australia
- Automotive Industry Solutions

Brunei
- System Integration Services
- Consulting Services

China
- System Integration Services
- Consulting Services

Ghana
- PintarID Solutions
- Consulting Services

Indonesia
- System Integration Services
- Business Process Outsourcing Services
- Data Centre Services

Malaysia
- System Integration Services
- Data Centre Services
- Disaster Recovery Services
- Network Services
- Consulting Services
- Business Process Outsourcing Services
- Engineering Works
- Automotive Industry Solutions
- PintarID Solutions

Myanmar
- PintarID Solutions
- Consulting Services

Philippines
- Consulting Services

Sri Lanka
- System Integration Services
- Disaster Recovery Services
- Data Centre Services
- Consulting Services

Thailand
- PintarID Solutions
- Consulting Services

United Arab Emirates
- System Integration Services
- Automotive Industry Solutions
- Data Centre Services
- Consulting Services

United Kingdom
- Automotive Industry Solutions

Singapore
- PintarID Solutions
- Consulting Services

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

Dato' Dr. Mohamed Ariffin Bin Aton
Non-Independent Non-Executive Director

Sulaiman Hew Bin Abdullah
Independent Non-Executive Director

Wan Ainol Zilan Binti Abdul Rahim
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

Dato' Dr. Mohamed Ariffin Bin Aton
Non-Independent Non-Executive Director

Sulaiman Hew Bin Abdullah
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 Secretary

Siti Shahwana Binti Abdul Hamid
MAICSA 7018383

Amir Zahini Bin Sahrim
MAICSA 7034464

Management Team

Harris Bin Ismail
President
Group Chief Executive Officer

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

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

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
- AmIslamic 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, 6th 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

14th 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

Nor Shazila Binti Mohd Sawai
Tel : +603-8601 3454
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
(a subsidiary of Inter-City MPC (M) Sdn Bhd)

100%
HeiTech NX Sdn Bhd

80%
DAPAT Vista Sdn Bhd

70%
P.T. Intercity Kerlipan
(a subsidiary of Inter-City MPC (M) Sdn Bhd)

60%
Motordata Research Consortium Sdn Bhd

51%
Duta Technic Sdn Bhd

ASSOCIATE AND INVESTMENT

49%
InTech Solutions Pvt. Ltd.

40%
HeiTech International LLC

40%
e-Komoditi Sdn Bhd

39%
Peladang HeiTech Sdn Bhd

29%
Vantage Point Consulting Sdn Bhd

19%
MSCL Holdings 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 31 December 2016.

FINANCIAL CALENDAR 2016

ANNOUNCEMENT OF FINANCIAL RESULTS

MAY 2016

Quarterly report on consolidated results for the financial period ended 31/03/2016

DATE: 26 May 2016

AUG 2016

Quarterly report on consolidated results for the financial period ended 30/06/2016

DATE: 25 August 2016

NOV 2016

Quarterly report on consolidated results for the financial period ended 30/09/2016

DATE: 21 November 2016

FEB 2017

Quarterly report on consolidated results for the financial period ended 31/12/2016

DATE: 28 Feb 2017

SIMPLIFIED SELECTED FIVE (5) YEARS GROUP REVIEW

REVENUE	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Network Services Fees	92,662	84,672	74,642	75,930	**66,553**
System Application and Development	77,822	65,081	61,987	40,480	**44,623**
Sales of Hardware and Software	63,592	75,018	139,795	62,133	**33,782**
Disaster Recovery and Facility Management Services	47,991	35,330	30,094	29,465	**45,332**
Maintenance of Hardware, Software and Application	83,309	116,120	116,484	122,188	**117,144**
Bulk Mailing Charges	29,152	30,269	33,587	31,409	**25,516**
Engineering works	-	-	-	7,055	**20,673**
Others	1,001	7,328	4,870	7,578	**8,965**
	395,529	413,818	461,459	376,238	**362,588**

PROFITABILITY	2012	2013	2014	2015	2016
Profit Before Tax (RM'000)	7,936	(31,438)	(9,947)	2,431	**14,049**
Profit Before Tax Margin (%)	2.0%	-7.6%	-2.2%	0.6%	**3.9%**
Profit After Taxation (RM'000)	4,840	(33,349)	(10,423)	1,212	**7,883**
Profit Attributable to Shareholders (RM'000)	4,563	(32,743)	(10,474)	934	**7,169**
Earnings per Share (RM)	0.045*	-0.32*	-0.10*	0.009*	**0.0708***

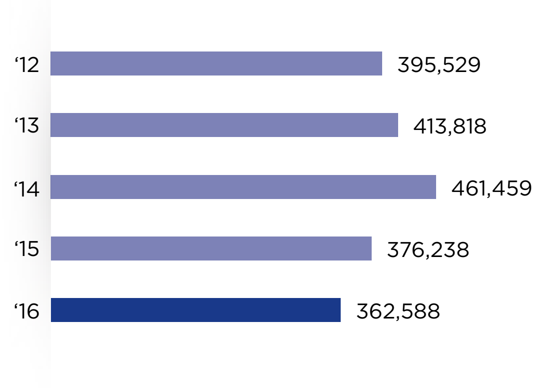
* Based on the weighted average of 101,225,000 ordinary shares of RM1.00 each

ASSETS EMPLOYED	2012	2013	2014	2015	2016
Total Assets (RM'000)	528,521	480,287	519,395	455,256	**460,525**
Fixed Assets (RM'000)	216,236	193,084	173,034	143,148	**131,159**
Net Current Assets (RM'000)	95,597	96,489	56,054	78,370	**80,902**
Current Ratio	1.44	1.51	1.19	1.34	**1.33**
Gearing Ratio	53%	60%	57%	56%	**53%**
Shareholders' Fund (RM'000)	206,547	175,672	160,958	161,807	**171,275**
Net Tangible Assets per Share (RM)	1.76*	1.48*	1.32*	1.30*	**1.38***
Share Capital (RM'000)	101,225	101,225	101,225	101,225	**101,225**

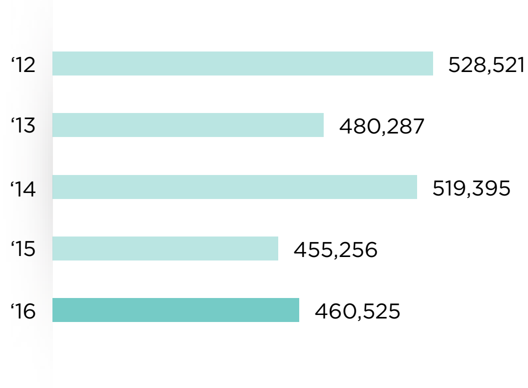
* Based on paid-up capital of RM101,225,000

FIVE (5) YEARS
GROUP PERFORMANCE HIGHLIGHTS

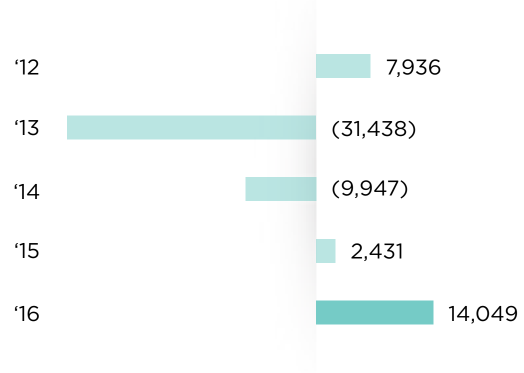
Revenue
(RM'000)



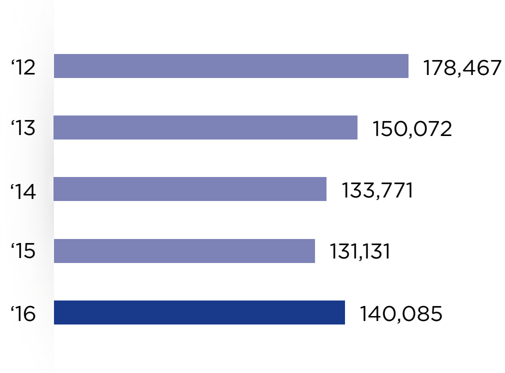
Total Assets
(RM'000)



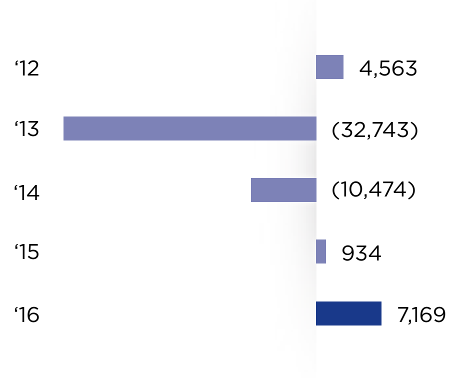
Profit Before Taxation
(RM'000)



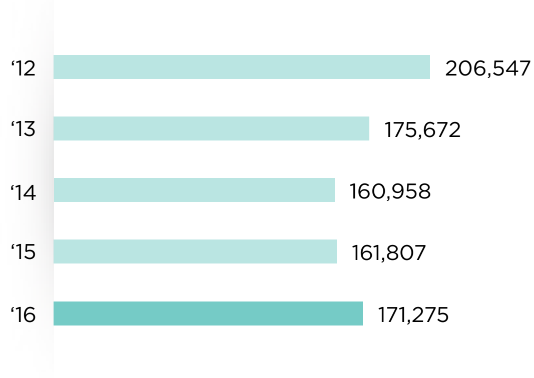
Net Tangible Assets
(RM'000)



Profit Attributable to Shareholders
(RM'000)



Shareholders' Fund
(RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS OPERATION

OVERVIEW

HeiTech Padu Berhad today is a global IT systems and technology services provider that specialises in developing 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, customised 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 defence.

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's business activities are segmented as follows:

(i) CORE AREAS

- **System Integration**
  The System Integration business consists of the system application and development, trading of hardware and software ("Trading") and maintenance services.

- **Managed Services**
  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.

(ii) OTHER BUSINESS AREAS

Other business areas include bulk mailing, parts database for automotive industry, engineering works and IT services.

(iii) INTERNATIONAL

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.

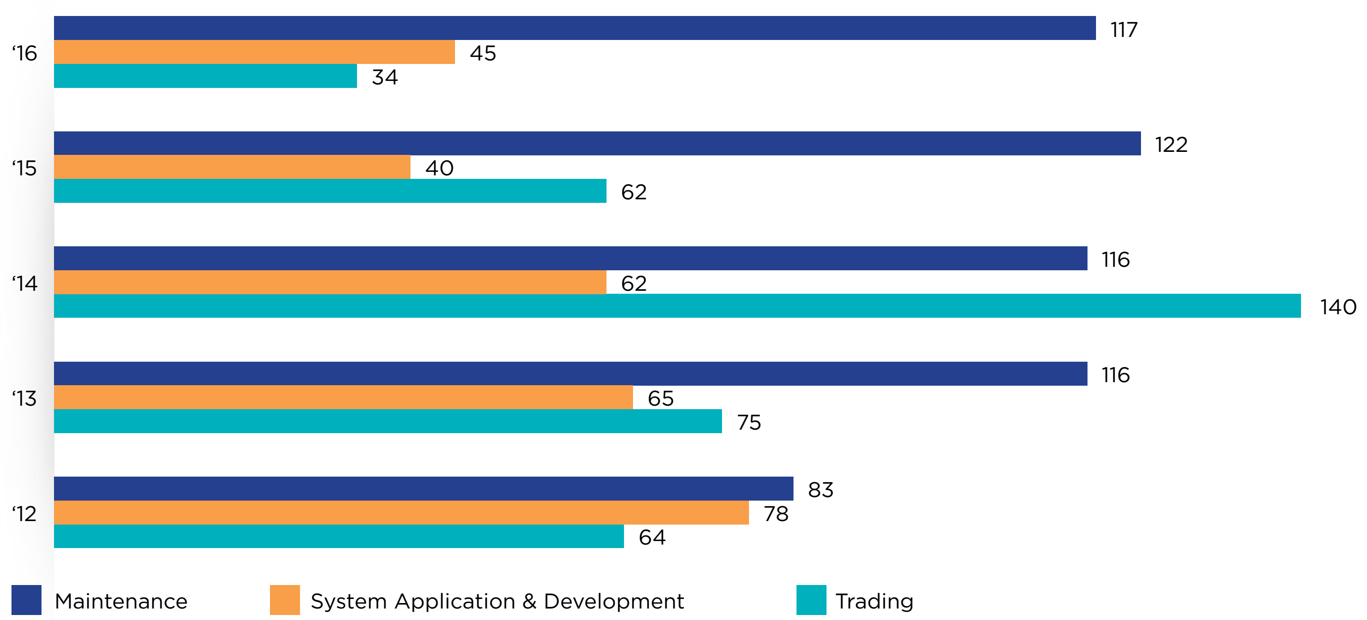
System integration consists of application development, supply of hardware and maintenance services. Over the years, maintenance services has taken the center stage in contributing to the Group's revenue as the number of application development and integration projects has reduced.

In 2016, HeiTech has managed to secure the following contracts:

i. Maintenance of mySIKAP system for Jabatan Pengangkutan Jalan worth RM79.7 million.
ii. Integration of Foreign Worker Medical Examination System (FWMES) with Jabatan Imigresen's myIMMs system worth RM48.2 million.
iii. Development and integration of clinical documentation in Kementerian Kesihatan Malaysia's Patient Management System worth RM28.6 million.

FINANCIAL REVIEW

System Integration Revenue (RM'million)



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 2017 National Budget, only 18% (2016: 19%) of the total budget was allocated for development expenditure while the remaining 82% (2016: 81%) was for operating expenditure. This would certainly affect the allocation and priority of national development requirements.

Indirectly, this has translated into stiffer competition and challenges especially for the IT players. 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 comprising on the quality of our services and deliverables.

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. Intrinsically, this business provides a defensive earning to the Group against the high profile and volatile contribution from system integration business.

We own and manage a Tier-IV ready Data Centre facility located in Bukit Jelutong, Selangor, Malaysia. We 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), Quality Management System (ISO 9001:2001) 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.

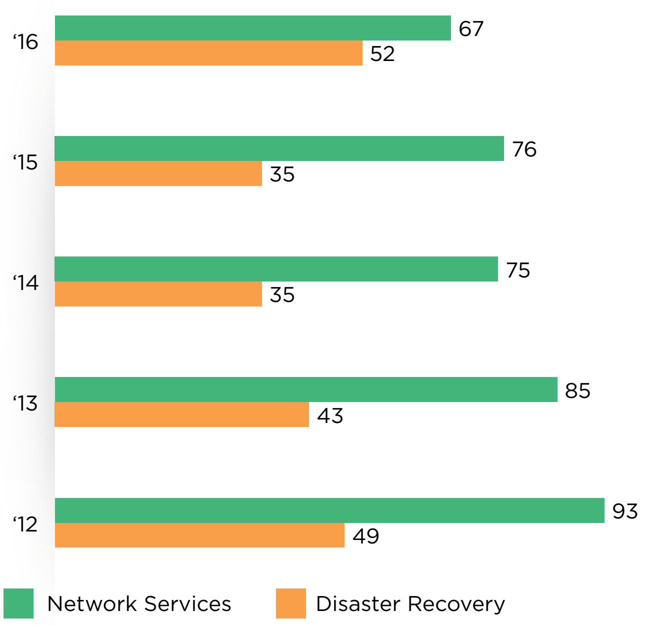
HeiTech was awarded the Asia Pacific CIO Outlook 25 Most Promising Disaster Recovery Service Solutions Providers 2016. We also received award from Hewlett Packard Enterprise being the HPE 100% Achievers Club 2016.

In 2016, we have secured a 5-year network services contract amounting to RM39.5 million and one-year Master Outsourcing Agreement (MOA) contract of RM14 million for the largest unit trust house in Malaysia. Other achievements include award on Core Banking Infrastructure Technology Refresh amounting to RM53.3 million for a three-year period from one of the leading financial institutions in Malaysia. HeiTech has managed to secure its first largest project on Cloud Services with a contract value of RM9.5 million via a strategic partnership with Hewlett Packard Enterprise.

FINANCIAL OVERVIEW

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.

Managed Services Revenue (RM'million)



CHALLENGES

Network services

Being a non-telecommunication outfit ("telco") 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER BUSINESS AREAS

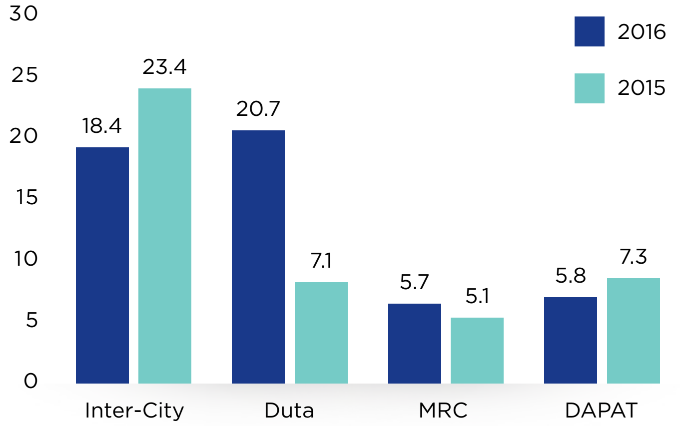
OVERVIEW

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

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

FINANCIAL OVERVIEW

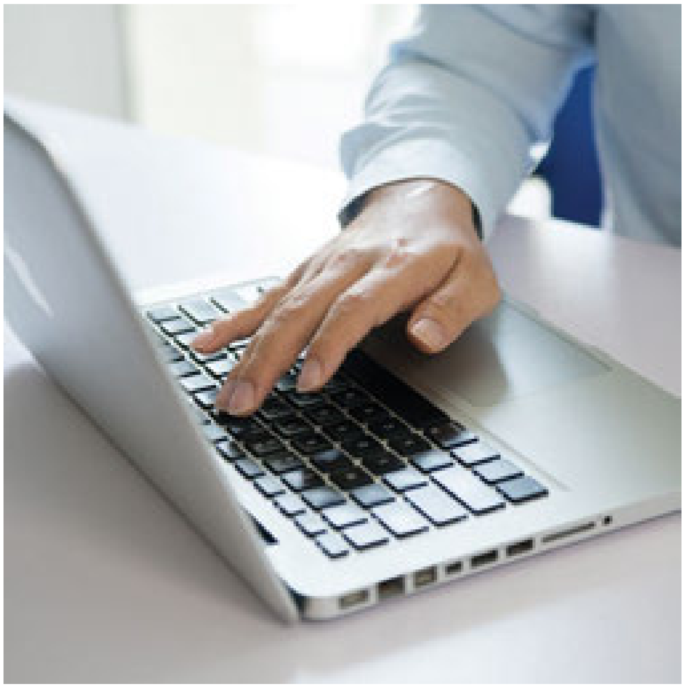
Revenue (RM'million)



Overall, these companies contributed RM50.6 million or 14% to the Group's revenue (2015: RM42.9 million or 11%). 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.

On a positive note, MRC and Duta had posted improvement in their revenue for 2016. 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 the 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 in 2016.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERNATIONAL BUSINESS

OVERVIEW

On the global front, the Group has ventured in projects and investment in various countries. The Group has been entrusted in the development and enhancement of systems related to national interest such as internal security, border management, population data management, and transport administration and control in Africa, South East Asia and Middle East. Most of the countries involved are developing countries that are in the midst of transforming their traditional government services method into electronic based.

From 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

International business contributed around RM20.5 million or 6% to the Group's revenue in 2016. From the total, about RM14.2 million or 69% were contributed by the projects side while the balance came from the subsidiaries. Despite the relatively minimal contribution from the international business to the Group's overall revenue, we believe that it is significant for HeiTech to keep venturing overseas for branding and presence at international level on a long-term perspective. It also provides HeiTech with the opportunity to leverage from our international partners while contributing to the development and modernization of the countries involved.

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

REVIEW OF GROUP FINANCIAL PERFORMANCE

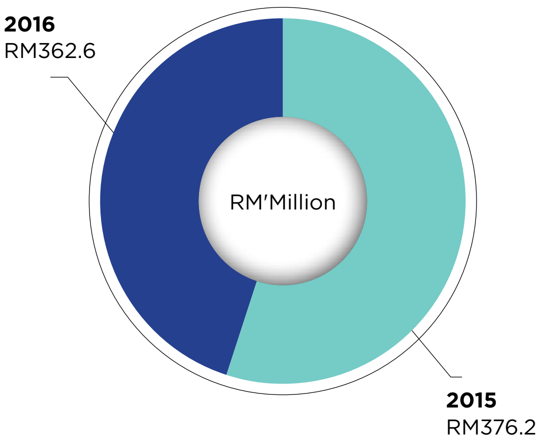
INCOME STATEMENT ANALYSIS

For the past years, HeiTech was all about managing sustainability within a recuperating economy, saturated market and prudent spending by public sector. These factors have directly shaped and carved HeiTech Group's results one way or another.

In general, 2016 has been a good year for the Group. Despite all the challenges that were faced, devotion and perseverance in delivering our services to our faithful customers have resulted in a much improved financial performance.

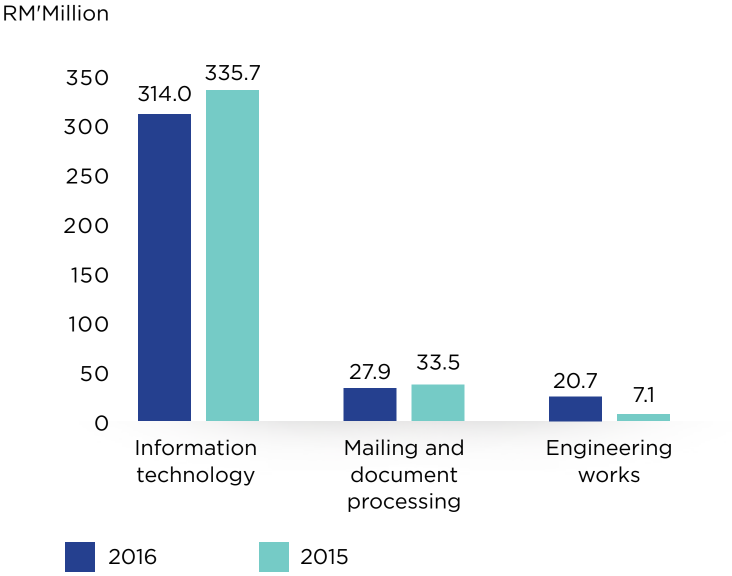
Gracefully, the Group has managed to secure contracts worth RM359.5 million in 2016 against RM247.6 million in 2015. From this contracts, about RM313.0 million (2015: RM221.4) were related to information technology and the remaining RM46.5 million (2015: RM26.2 million) were engineering works for the energy sector.

REVENUE



The Group's revenue for 2016 was recorded at RM362.6 million. The amount was about RM13.6 million or 3.6% lower from 2015. The reduction was partially due to delay in the award of a significant maintenance contract that created a gap in the revenue stream. Other than that, most of the new contracts in 2016 were secured in the second half of the year of which the revenue have not being recorded in full cycle.

Breakdown of revenue



The Group's revenue was 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, information technology segment was still the biggest contributor to the Group's revenue at RM314.0 million or 87% (2015: RM335.7 million or 89%). As explained earlier, some of the projects secured during the year were not fully translated into revenue in 2016 which caused some variance from 2015's result.

Mailing and document processing segment was the second largest contributor at RM27.9 million (2015: RM33.5 million).

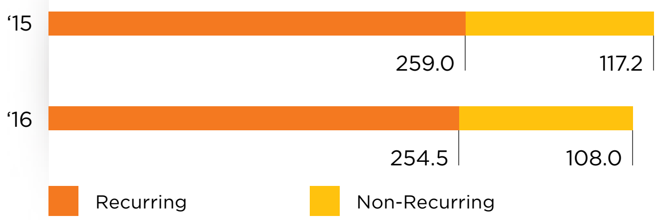
The latest addition to the Group's segmental reporting, engineering works was in third position at RM20.7 million (2015: RM7.1 million). The segment's performance is on the rise and the Group is hoping for the trend to continue steadily.

The breakdown of revenue from the respective segment is explained further in the segmental analysis section.

MANAGEMENT DISCUSSION AND ANALYSIS

Quality of revenue

Recurring vs Non-Recurring Revenue Contribution (RM'Million)



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 sustainability of the Group to generate a stable return to the shareholders. An example of recurring revenue would be 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 were a few and hard to come by over the years. This was due to stiff competition, cyclical demand and the availability of the off-the-shelf solutions in the market.

Some reduction was recorded for both category recurring revenue from RM259.0 million in 2015 to RM254.5 million in 2016 and non-recurring recorded a reduce from RM117.2 million to RM108.0 million in 2016.

Albeit the reduction, the composition of recurring and non-recurring revenue in 2016 was almost consistent with prior year at 70% (2015: 69%) and 30% (2015: 31%) respectively.

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.

OPERATING EXPENSES

	2016	2015	Variance	
Designation	**RM'000**	**RM'000**	**RM'000**	**%**
Personnel expenses	91,172	90,994	178	0.2%
Project related expenses	164,374	187,690	(23,316)	-12.4%
Depreciation	11,392	12,226	(834)	-6.8%
Administration expenses	85,305	81,526	3,779	4.6%
Finance expenses	7,565	9,328	(1,763)	-18.9%
	359,808	**381,764**	**(21,956)**	**-5.8%**

Overall, HeiTech's total operating expenses has reduced by RM22.0 million or 5.8% from RM381.8 million in 2015 to RM359.8 million in 2016.

Project related expenses accounted for 45.7% of the Group's operating expenses. The amount has reduced from RM187.7 million in 2015 to RM164.4 million in 2016, in tandem with the reduction in revenue.

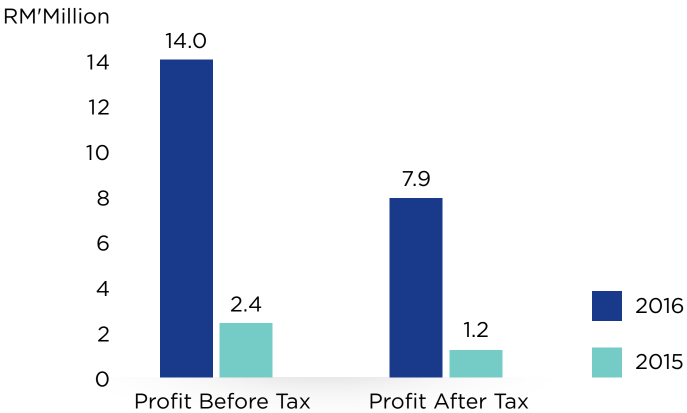
Personnel expenses accounted for 25.3% (2015: 23.8%) of the Group's operating expenses. The Group's staff strength stood at about 1,300 at the end of 2016 and 2015 respectively. There was no apparent movement in the staff strength despite the reduction in revenue as the Group regards its people as assets that required to be continuously invested in order to keep up with the demand and requirements of the customers.

Depreciation represented 3.2% of the Group's operating expenses in 2016 (2015: 3.2%). Out of the amount, about RM7.5 million or 66% (2015: RM7.9 million or 65%) came from depreciation of the data centre facility in Bukit Jelutong.

Administration costs rose by 4.6% or RM3.8 million in 2016. This was mainly due to impairment losses recorded on receivables and investment related accounts. These expenses were higher by RM4.7 million in 2016 resulted from the continuous assessment carried out on the recoverability of the assets. The impact was cushioned by lower administration expenditure.

Finance costs decreased by 18.9% or RM1.8 million in 2016. This was mainly due to lower utilisation of banking facilities throughout 2016 as the Group mixed its working capital requirements with its internally generated funds.

PROFIT BEFORE TAX (PBT)



Despite the reduction in revenue, the Group's profitable position in 2016 has improved significantly.

Profit before tax increased by RM11.6 million or 483.3% from RM2.4 million to RM14.0 million in 2016 while profit after tax increased by RM6.7 million or 558.3% from RM1.2 million to RM7.9 million in 2016. The significant increase was mainly attributable to better cost management and the streamline of business operations during the year that reduced redundancy and inefficiency.

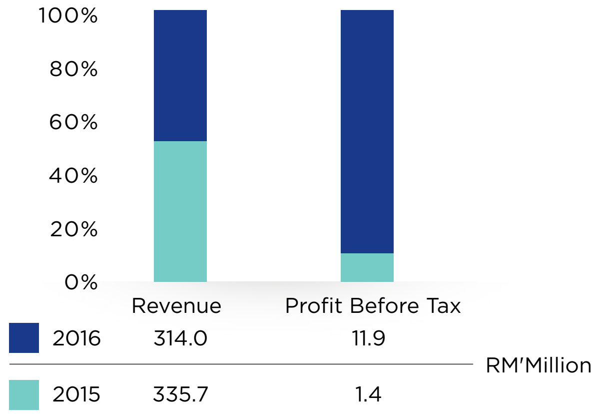
FINANCIAL PERFORMANCE BY BUSINESS SEGMENT

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)



The customers for IT segment come from both the public and private sectors. Overall, IT segment contributed RM314.0 million or 87% of the Group's revenue in 2016 against RM335.7 million or 89% in 2015.

Albeit lower revenue, the segment has posted a significant improvement in the profitability. Its PBT increased by RM10.5 million or 750% from RM1.4 million in 2015 to RM11.9 million in 2016. The improved results was mainly due to better margin recorded following better cost management that led to reduction in redundancy and inefficiency and improved margin.

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

	2016		2015	
Designation	**RM'Million**	**% of contribution**	**RM'Million**	**% of contribution**
System integration:				
Maintenance services	117.1	37%	122.2	36%
System application and development	44.6	14%	40.5	12%
Trading	33.8	11%	62.1	19%
Sub total	195.5	62%	224.8	67%
Managed services:				
Network services	66.6	21%	75.9	23%
Disaster recovery and facility management	51.9	17%	35.0	10%
Sub total	118.4	38%	110.9	33%
Total segment revenue	314.0	100%	335.7	100%

MANAGEMENT DISCUSSION AND ANALYSIS

System Integration

System integration contributed RM195.5 million or 62% to the segment's revenue in 2016.

Major portion of the revenue came from maintenance services activities at RM117.1 million or 37%. Some reduction was recorded in 2016 due to delay in the award of a major maintenance contract that created a gap in the revenue stream.

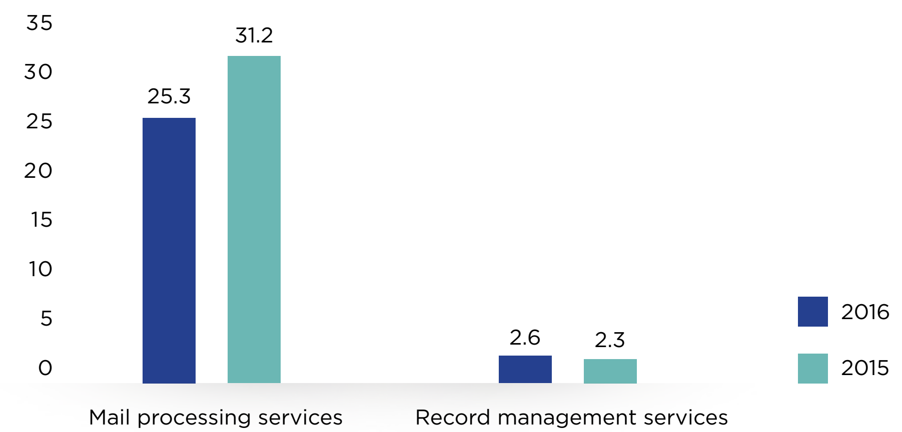
System application development contributed RM44.6 million or 14% of the segment's revenue in 2016.

Trading activities contributed 11% to the segment's revenue. It recorded lower result in 2016 as some of the contracts scope that required the delivery of hardware and software were mostly completed and recognized in 2015.

Managed Services

Revenue from network services was lower by RM9.3 million or 12% to RM66.6 million in 2016. This was mainly due to migration by a public sector customer to Government own network facility upon conclusion of its contract during the year. However, this reduction was cushioned by RM16.9 million or 48% increase in revenue from disaster recovery and facility management services following new contracts secured during the year. This has helped to improve the overall managed services revenue from RM110.9 million in 2015 to RM118.4 million in 2016.

MAIILING AND DOCUMENT PROCESSING SERVICES



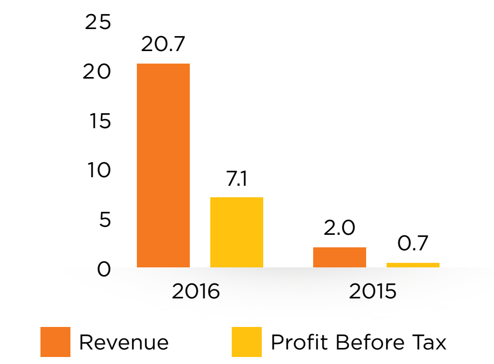
Mailing and document processing services segment contributed RM27.9 million or 8% of the Group's revenue (2015: RM33.5 million or 9%). The two main business operations under this segment are mail processing services and record management services. Some reduction was noted in the revenue due to changes in the business requirements from printed document to technology based solutions within the industry that the segment operated.

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. This activities contributed RM25.3 million to the segment's revenue in 2016 (2015: RM31.2 million).

Record management activities offer services in relation to document scanning and imaging, storage and archiving and mobile document destruction services. These activities recorded a revenue or RM2.6 million in 2016 (2015: RM2.3 million).

Despite the reduction in revenue, the segment still managed to maintain a profitable result of RM0.2 million for 2016 (2015: RM0.3 million).

ENGINEERING WORKS



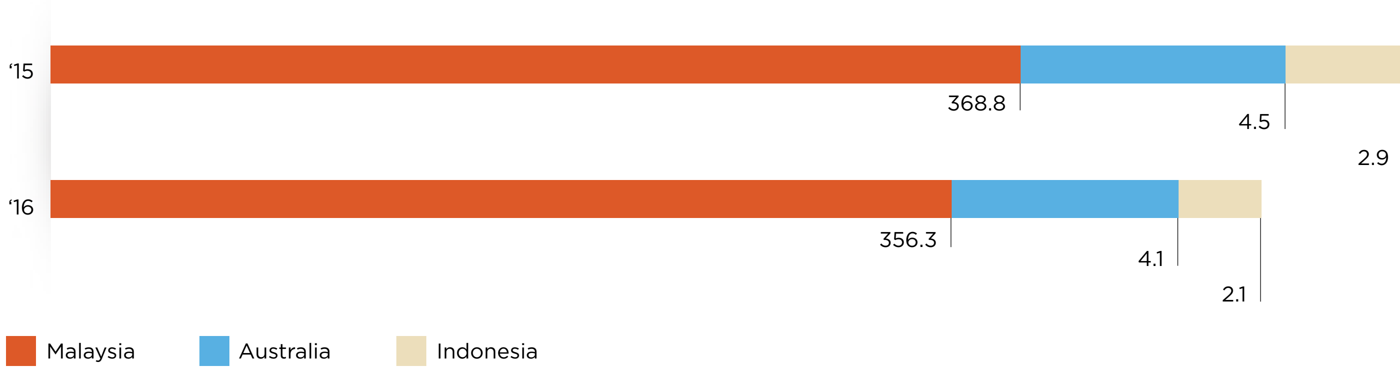
This segment was newly introduced into the Group in the second half of 2015 following the acquisition of a company that involved in the provision of engineering, procurement, construction and commissioning services. The company is currently focusing its business activities in the construction of sub-stations for the energy industry.

This segment recorded higher revenue in 2016 at RM20.7 million against RM7.1 million in 2015. The segment's PBT was also higher from RM0.7 million in 2015 to RM2.0 million in 2016. This was mainly due to the substantial completion of development works during year. On top of that, the results was consolidated in full for 2016 as opposed to only five months in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

GEOGRAPHICAL SEGMENT

Revenue (RM'Million)



The Group's geographical segment is reported through companies operated in Malaysia, Australia and Indonesia. At RM356.3 million (2015: RM368.8 million), Malaysia is the biggest contributor the Group's results followed by Australia and Indonesia at RM4.1 million (2015: RM4.5 million) and RM2.1 million (2015: RM2.9 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 2016 despite some reduction in the revenue.

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. Some reduction was also recorded in the contribution from overseas mainly due to stiff competition faced by these companies in their respective industry.

ANALYSIS OF FINANCIAL POSITION

The tables below show the assets employed, liquidity ratios and working capital of the Group as at the year end of 2016 and 2015.

ASSET EMPLOYED

	2016	2015
Total Asset (RM'000)	460,525	455,256
Fixed Assets (RM'000)	131,159	143,148
Net Current Assets (RM'000)	80,902	78,370
Shareholders' Fund (RM'000)	171,275	161,807
Share Capital (RM'000)	101,225	101,225
Net Tangible Assets per Share (RM)	1.38	1.30

Overall, the table above indicates that the Group was still in good condition with improvements recorded from the deployment of its capital and resources.

Total assets of the Group improved by RM5.3 million or 1.2% to RM460.5 million in 2016. The increase was mainly due to revenue and receivables that were posted for contracts secured around the year end. Receivables in 2016 increased by RM21.3 million to RM245.7 million from RM224.4 million in 2015. The increase was offset by fixed assets depreciation of RM11.4 million and impairment on intangible assets and investments of about RM4.3 million.

There was no significant capital expenditure incurred in 2016. The Group's infrastructure is still capable and sufficient to cater for projects and jobs in hand. Any new capital expenditure will be planned accordingly to ensure appropriate return on investment. The reduction in fixed assets was mainly due to depreciation.

Net currents assets increased slightly by RM2.5 million or 3.2% to RM80.9 million. The increase in receivables of RM21.3 million as explained earlier was offset by an increase in short term borrowing of RM17.3 million due to utilization of credit facilities for projects obtained around the year end.

The shareholders' fund improved from RM161.8 million in 2015 to RM171.3 million in 2016 following the improvement in the profitability posted by the Group. Consequently, this has translated into higher net tangible assets per share of RM1.38 in 2016 (2015: RM1.30).

LIQUIDITY

	2016	2015
Quick Ratio	1.32	1.32
Current Ratio	1.33	1.34

The Group's liquidity was still positive as demonstrated by the above quick and current ratios as the Group still possessed adequate current assets to cover for its current liabilities.

LIABILITIES AND WORKING CAPITAL

	2016	2015
Payables (RM'000)	107,479	113,898
Borrowing (RM'000)	170,190	171,948
Debt/Equity Ratio	0.99	1.06
Gearing Ratio (%)	53%	56%

The Group's payables recorded some reduction from RM113.9 million in 2015 to RM107.5 million in 2016. The Group have always strived to keep the payables at reasonable level.

At 0.99, the Group's debt to equity ratio for 2016 was well 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 recorded slight improvement at 53% in 2016 against 56% in 2015. The Group's gearing ratio was still in favourable position as the financial obligations were still contained under the equity limit.

Most of the times, the Group's business operations required for financial commitments to be significantly incurred upfront especially when they 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

2017 OUTLOOK

While 2016 was overall a difficult year for Malaysia due to subdued global trade and weak oil prices, the economy was still forecasted to grow at pace of 4% in 2017. The forecast was made based on resilient private consumption and fixed investment in the midst of contraction in government spending, especially on development consumption. In Malaysia's 2017 budget of RM262.8 billion, only RM46 billion or 18% was allocated for development expenditure. The amount was RM6 billion lower from RM52 billion that was allocated in 2016's Budget.

Consequently, competition among business community will continue to remain stiff in 2017. Businesses will face the biggest challenge in providing the best offers to the customers while operating at the most efficient way to keep costs at bay without compromising the quality of services, products and deliverables.

MOVING FORWARD

HeiTech has always been a strong supporter to Malaysian Public Sector ICT Strategic Plan 2016-2020 and the Government Transformation Plan, in aligning technology with the strategic direction of making Malaysia a developed nation by year 2020. The Government is mindful of technological development and has been continuously expanding its e-Government initiative to cater for the needs to provide efficient and effective services to the people. As a Bumiputera company and the trusted IT service provider to the Government, HeiTech will continue to offer its services and is fully committed to assist the Government in realizing the e-Government initiatives.

As for the private sector, we will continue to focus in delivering quality services and products, while being watchful of the emerging risk of competition and technological obsolesces. We will continue to anticipate the change in customers' spending based on the past trends in order to cater for their future needs and requirements.

Technology will continue to shape the future behavior of society and businesses. Therefore, the Group is keeping abreast with the latest changes to be agile in bringing the changes to our customers. Exploration on the Third Platform and Fintech are among our emphasis in addressing the technological changes.

Understanding the needs and quality of deliverables are key for success. On this score, we will continue to produce and retain our highly trained and certified professionals in keeping up with customers' demands and ensuring quality of deliverables. Another area of emphasis are the certification and recognition on our process and procedures. The Group has always strived to improve its processes and procedures to be in line with the international accreditation standard. In achieving this, HeiTech is currently advancing towards ISO 9001:2015 certification from the present ISO 9001:2008.

On top of the current business activities and customers' base, the Group has invested in product development targeting at mass market for an alternative recurring source of revenue. In accomplishing this, the Group has promoted various schemes to encourage the staff to go beyond their comfort zone and explore their maximum capabilities in crafting new ideas and innovations.

On global front, HeiTech will continue to explore the opportunities worldwide, especially in developing nations to assist them in transforming their process into e-government, in the same manner that the Group have helped and contributed towards the transformation of e-Government in Malaysia.

Notwithstanding the fact that the business landscape has changed due to various factors, HeiTech is optimistic about the future and will continue to stand tall as the reputable and reliable IT company and service provider in Malaysia while progressively expand our business locally and internationally by leveraging on our core competencies and merit.

SIGNIFICANT EVENTS

1

8
MAR 2016

HeiTech Blood Donation Day

2

10
MAR 2016

Educational Visit SK Bukit Kota

3

27
MAY 2016

HeiTech School of Sales

4

3
JUNE 2016

Launch of HeiTech Business Continuity Centre

5

3
JUNE 2016

HeiTech Books Donation Campaign

6

21
JUNE 2016

HeiTech's 21st Annual General Meeting

7

29
JUNE 2016

Majlis Semarak Ramadan HeiTech

8

21
JUL 2016

HeiTech Raya Gathering with Customer

9

22
JUL 2016

Signing Ceremony on Project Strategic Management Information System (SMIS) between HeiTech and CIDB

10

28
JUL 2016

Business Visit from DVLA, Ghana

11

28
JUL 2016

Raya 1HeiTech

SIGNIFICANT EVENTS

12

8
OCT 2016
HeiTech Sport Carnival

13

11
OCT 2016
HeiTech Managed Services TechExchange - "Preparing for the Future"

14

16
NOV 2016
Orchestrating The Future For Smart Living

15

7
DEC 2016
MOU Signing Ceremony between HMS and Hewlett Packard Enterprise on SAP Hana

16

8
DEC 2016
HeiTech in IDeX 2016

17

10
JAN 2017
Kick-Off 2017

18

24
JAN 2017
HeiTech Managed Services Partner Appreciation Night

19

21
MAR 2017
Majlis Kecemerlangan Akademik KKH 2017

CORPORATE RESPONSIBILITY

Corporate Responsibility (CR) practices have long since been part and parcel of our business processes. For the year under review, we continued to focus and align our CR efforts to our business priorities with special emphasis on our commitment to the community, marketplace, workplace and environment.

WORKPLACE

ENVIRONMENT

COMMUNITY

MARKETPLACE

CORPORATE RESPONSIBILITY

OUR COMMITMENT TO THE COMMUNITY

We believe in making a positive and sustainable impact in the communities we operate in. We constantly build our goodwill by playing a significant role in enhancing the living standards of the community focusing on educational and social development, and philanthropy. Our beneficiaries include students, schools, NGOs, orphanages and other deserving groups.

Highlights of 2016

- HeiTech's volunteer team, HeiTech Cares received Chairman's Award under the category of Volunteer Recognition Award for its contribution to the community and efforts in promoting volunteerism among the staff.
- Activities organised by HeiTech Cares includes Sahabat Jalanan, Zoo Volunteer, We Care HeiTech Cares with Pertubuhan Rumah UMMI and Projek Ceria Surau dan Perpustakaan Mini at Perkampungan Orang Asli Lata Kinjang, Tapah, Perak.
- HeiTech's Empowerment of Youth Generation Programme continued with educational visit by students from SK Bukit Bota and UiTM Jasin Melaka. This yearly initiative helped to nurture their interest in becoming the next generation of IT specialist.
- More than RM30,000 allocated to students and schools under HeiTech Scholarship and School Adoption programmes.

CORPORATE RESPONSIBILITY

OUR COMMITMENT TO THE WORKPLACE

We are committed to build a constructive work culture that is suitable for everyone. With over than 1,000 employees, of whom 80% are IT specialists, human capital development is vital in strengthening the competencies, ability and knowledge of our people. Therefore, each individual is required to enhance their skills by attending selective training courses that meet the IT industry's standards and best practices.

In our efforts to create a conducive and safe working environments for our employees, we provide 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.

We also advocate a good work-life balance amongst the employees in order to improve morale and productivity. Activities conducted in 2016 includes motivational and religious talks, family programmes as well as sports and recreational programmes.

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 programme, Long Service Award ceremony, Chairman's Award ceremony, sports day, internal newsletter, corporate website, and corporate e-mail blast.

Highlights of 2016

- 46 employees received Long Service Award for 10, 20 and 30 years of service.
- 8 recipients bagged the Certificate of Merit of Chairman's Award under the categories of Innovative Solutions Excellence, Innovative Revenue Stream, Service Delivery Excellence and Special Recognition Award.
- Staff Recognition Award witnessed 112 recipients of Zero Medical Cost Award, 257 recipients of Zero MC Award, and 3 recipients of Volunteer Award. Staff Recognition Award was introduced in 2016 as a token of appreciation for employee's dedication and commitment towards the development of the Group.
- More than 150 participants took part in HeiTech School of Sales 2016 programme. The event served as a platform for sales and account specialists from the Group to enhance their selling skills whilst fostering synergistic collaboration among business owners within the Group.
- 36 employees have been certified in various professional certification recognised by industries which includes Cisco Certified Network Professional (CCNP), Certified Professional Requirement Engineering (CPRE), Certified Data Centre Professional (CDCP), Certified Ethical Hacking & Countermeasure (CEH), PMI-AGILE Practitioner TOGAF 9.1 Foundation & Certified Level.
- 25 employees enrolled in the Self Development Programme "Project 615 Towards Superiority" in line with the Group's effort to nurture and develop young talent as a future leader.

CORPORATE RESPONSIBILITY

OUR COMMITMENT TO THE MARKETPLACE

We are committed to being a responsible corporate citizen to our stakeholders; customers, partners, suppliers and Government regulators. Hence, we strive to build a continous working relationships based on integrity, respect and fairness. In 2016, we continued to demonstrate our commitment in addressing this through various initiatives such as information update through our investor relations portal, delivering excellent services, and active engagement with stakeholders through activities such as friendly golf tournament, Majlis Semarak Ramadan, and Technology Update sessions.

Highlights of 2016

- HeiTech e*Business Solution Sdn Bhd has organised technology update programme with a theme "Orchestrating the Future of Smart Living". More than 120 participants from public and commercial sectors took part in this event.
- HeiTech Managed Services Sdn Bhd hosted Partners Appreciation Night, as an appreciation to all its partners and principals for their support throughout the years.

OUR COMMITMENT TO THE ENVIRONMENT

We are committed towards the conservation of the environment. For this initiative, we focused on improving the quality of life for all Malaysians by meeting their growing IT demands while reducing the impact on the environment they live in. As an IT company, we make use of our innovative solutions and technology to optimise the computing environments in our business operations to tackle problems associated with climate change and biodiversity.

BOARD OF DIRECTORS

1

DATO' SRI MOHD HILMEY BIN MOHD TAIB

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

2

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) Committees*
- *Member of the Voluntary Separation Scheme (VSS) Committee*

3

SYED AGEL BIN SYED SALIM

- *Member of the Audit Committee*

BOARD OF DIRECTORS

4

DATO' MOHD FADZLI BIN YUSOF

- *Chairman of the Risk Management Committee*

5

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*

6

DATO' DR. MOHAMED ARIFFIN BIN ATON

- *Member of the Risk Management Committee*
- *Member of the Voluntary Separation Scheme (VSS) Committee*

7

SULAIMAN HEW BIN ABDULLAH

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

8

WAN AINOL ZILAN BINTI ABDUL RAHIM

- *Member of the Audit Committee*

PROFILE OF DIRECTORS

DATO' SRI MOHD HILMEY BIN MOHD TAIB

Aged 64, Male, Malaysian
Chairman

Date Appointed to the Board:
5 August 1994

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 from 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)

Prior to joining HeiTech, Dato' Sri Mohd Hilmey 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 Hilmey 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.

Currently, he serves as Chairman of the Board of Directors of Universiti Malaysia Pahang (UMP), Chairman of UMP Holdings Sdn Bhd and UMP Green Technology 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.

DATO' HAJI GHAZALI BIN AWANG

Aged 70, Male, Malaysian
Independent Non-Executive Director

Date Appointed to the Board:
8 March 2005

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:
4/5

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 Prudential BSN Takaful Berhad, 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.

PROFILE OF DIRECTORS

SYED AGEL BIN SYED SALIM

Aged 71, Male, Malaysian
- Non-Independent Non-Executive Director
- Appointed Director by Permodalan Nasional Berhad, a substantial shareholder of HeiTech

Date Appointed to the Board:
1 January 1995

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

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 a General Manager of Amanah Saham Nasional Berhad in July 2000.

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

PROFILE OF DIRECTORS

DATO' MOHD FADZLI BIN YUSOF

Aged 72, Male, Malaysian
Independent Non-Executive Director

Date Appointed to the Board:
7 October 2005

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.

PROFILE OF DIRECTORS

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

Aged 68, Male, Malaysian
Independent Non-Executive Director

Date Appointed to the Board:
17 October 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

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 at 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.

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

DATO' DR. MOHAMED ARIFFIN BIN ATON

Aged 71, Male, Malaysian

- Non-Independent Non-Executive Director
- Appointed Director by Permodalan Nasional Berhad, a substantial shareholder of HeiTech

Date Appointed to the Board:
5 September 2011

Membership of Board Committee:

- Risk Management Committee
- Voluntary Separation Scheme (VSS) Committee

Number of Board Meetings Attended in the Financial Year:
3/5

Qualifications:

- Bachelor of Science (Hons) in Chemical Engineering from 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 Aton started his career with ESSO Refinery as a Process Engineer from 1970 until 1972. He then 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, Neural Manufacturing Sdn Bhd, KASS International, MTN Sdn Bhd, Senstech Sdn Bhd and National Measurement Centre.

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

SULAIMAN HEW BIN ABDULLAH

Aged 67, Male, Malaysian
Independent Non-Executive Director

Date Appointed to the Board:
30 July 2013

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.

WAN AINOL ZILAN BINTI ABDUL RAHIM

Aged 62, Female, Malaysian
Independent Non-Executive Director

Date Appointed to the Board:
6 August 2013

Membership of Board Committee:
- Audit Committee

Number of Board Meetings Attended in the Financial Year:
4/5

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)

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.

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)

Siti Shahwana, aged 47, female, Malaysian, is the Joint Company Secretary of HeiTech Padu Berhad and was appointed on 29 August 2014. She has over twenty (20) years of experience and had 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.

Shahwana graduated with a double degree in Business Administration (majoring in Finance) from the International Islamic University Malaysia and The Institute of Chartered Secretaries & Administration (UK) in 1994.

AMIR ZAHINI BIN SAHRIM (MAICSA 7034464)

Amir Zahini, aged 41, male, Malaysian, is the Joint Company Secretary of HeiTech Padu Berhad. He was appointed as Joint Company Secretary on 1st 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.

Amir graduated from The Institute of Chartered Secretaries and Administrators (UK) in 1999.

PROFILE OF MANAGEMENT TEAM

HARRIS BIN ISMAIL

Aged 56, Male, Malaysian
President and
Group Chief Executive Officer

Qualifications:
- Master in Business Administration, Southern California University, USA

Prior to joining HeiTech Group in 2000, Harris Ismail 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, 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. After successfully transforming the Group and improving profit contribution, 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.

At the end of 2011, Harris was appointed as Group CEO of HeiTech to oversee the development of HeiTech Group especially on the development of the overseas market.

He holds a number of directorship within HeiTech Group.

PROFILE OF MANAGEMENT TEAM

AHMAD NASRUL HAKIM BIN MOHD ZAINI

Ahmad Nasrul Hakim, aged 41, male, Malaysian, is the Executive Vice President, Finance and Chief Financial Officer of HeiTech Padu Berhad. He graduated with a Bachelor of Commerce (Accounting), University of New South Wales, Sydney, Australia. He is a Chartered Accountant and member of Malaysian Institute of Accountants (MIA) and CPA Australia.

Ahmad Nasrul 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.

Executive Vice President, Finance
Chief Financial Officer

SALMI NADIA MOHD HILMEY

Salmi Nadia Mohd Hilmey, aged 35, female, Malaysian, is the Executive Vice President, Risk Management and Corporate Services of HeiTech Padu Berhad. She graduated from University of Nottingham, United Kingdom with a Bachelor of Arts (BA), Finance, Accounting and Management. She also holds a Masters of Science (Msc) in Management and Information System from Nottingham Trent University, United Kingdom.

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

Executive Vice President, Risk Management &
Corporate Services

CHAIRMAN'S INTRODUCTION ON HEITECH'S CORPORATE GOVERNANCE

"Governing the new dynamic environment will be a challenge but it is achievable."

In this new era of technological advances, businesses and companies realised that the Board's role in terms of responsibility and governance has 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 believed 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 a good governance.

The composition of the Board has resulted in the best practise of 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

The Board of Directors acknowledge the importance of Principles and Recommendations as promulgated by Malaysian Code on Corporate Governance 2012 ("the Code") in order to continuously deliver sustainable performance for the benefit of shareholders and maintaining standards of corporate governance in managing the business affairs of the Company and the Group.

This Statement is to outline the principles and recommendations on how the Code has been applied throughout the Company.

PRINCIPLE 1
ESTABLISH CLEAR ROLES AND RESPONSIBILITIES FOR THE BOARD AND MANAGEMENT

The Board of Directors is 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 2012 ("MCCG 2012") on gender diversity and expresses a strong preference for suitable candidate of the female gender where and when such candidates become available.

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 Group Chief Executive Officer

There is a clear division of responsibility between the Chairman and the Group 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 Group 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 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 Malaysia Securities Berhad ("BMSB") which stipulates that at least two (2) Directors or one-third of the Board, whichever is higher, must be independent.

In complying with Paragraph 7.23 of the MMLR of BMSB, the details of the Directors' remuneration for the financial year ended 31 December 2016, are as follows:-

	Fees (RM)	Bonus (RM)	Benefits in Kind (RM)	Other Emoluments (RM)	Total (RM)
Executive Directors	-	-	-	-	-
Non-Executive Directors	223,000	-	-	1,119,000	1,342,000

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 - 950,000	-	-
950,001 - 1,050,000	-	1

Board Committees

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

(a) Audit Committee;
(b) Nomination Committee and Remuneration Committee;
(c) Risk Management Committee;
(d) Employee Share Option Scheme ("ESOS") Committee;
(e) Voluntary Separation Scheme ("VSS") Committee.

Members of these Committees comply with the criteria for independence provided under the MMLR of BMSB. Every Committee has a separate and defined written charter and terms of reference which has been approved by the Board, describing the Committee's 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 BMSB, list of directors' resolutions passed and summary of directors' dealings in securities during the relevant financial period, if any. Chapter 14 of the MMLR prescribes that deliberations during the Board and Board Committees' meetings should be properly minuted and documented by the Company Secretary.

a) Audit Committee

The present members of the Audit Committee are:

Members	Status	Attendance
Dato' Haji Ghazali bin Awang (Chairman)	Independent Non-Executive	8/8
Syed Agel bin Syed Salim	Non-Independent Non-Executive	8/8
Wan Ainol Zilan binti Abdul Rahim (F)	Independent Non-Executive	8/8

Details of the composition, terms of reference and the Audit Committee Report are set out in page 50 to 52 of this Annual Report.

b) Nomination Committee and Remuneration Committee ("NCRC")

Members	Status	Attendance
Dato' Haji Ghazali bin Awang (Chairman)	Independent Non-Executive	4/4
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	Independent Non-Executive	3/4
Sulaiman Hew bin Abdullah	Independent Non-Executive	4/4

The 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 NCRC also facilitates with the Board's induction of new members and training programmes for the Directors.

By referring to the MCCG 2012, 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.

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

Members	Status	Attendance
Dato' Mohd Fadzli bin Yusof (Chairman)	Independent Non-Executive	4/4
Dato' Dr. Mohamed Ariffin bin Aton	Non-independent Non-Executive	3/4
Sulaiman Hew bin Abdullah (Appointed on 19.08.2016)	Independent Non-Executive	2/2
Harris bin Ismail (Resigned on 19.08.2016)	Group Chief Executive Officer	2/2

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 escalated to the Board for further deliberation and action to be taken.

d) **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 Company's 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.

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

Members	Status
Dato' Sri Mohd Hilmey bin Mohd Taib (Chairman)	Chairman
Dato' Haji Ghazali bin Awang	Independent Non-Executive
Dato' Dr. Mohamed Ariffin bin Aton	Non-Independent Non-Executive

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

Gender diversity policy

The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation by MCCG 2012 on the establishment of boardroom and workforce gender diversity policy. The Board currently has one female director which the Board is of the view, is in line with the gender diversity recommended by MCCG 2012 and has 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.

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 remains 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 Company. 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 Group 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 to the Board by the NCRC 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

In accordance with the Company's Articles of Association, at every Annual General Meeting of the Company, one-third of the Directors or the number nearest to one-third are subject to retirement by rotation such that each Director shall retire from office once every three (3) years. All Directors who retire from office shall be eligible for re-election.

The responsibility of identifying candidates for directorship and the re-election rests with the NCRC, 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 2012'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 nine (9) 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 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

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, recommend and approve corporate strategies, operations and financial performance and financial position of the Company and the Group. Additional meetings are held as and when required or the urgency of the matter warrants such 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:-

			82nd	83rd	84th	85th	SP1	
No	**Name of Directors**	**Designation**	**25 Feb**	**26 May**	**25 Aug**	**21 Nov**	**07 Apr**	**Attendance**
1	Dato' Sri Mohd Hilmey bin Mohd. Taib	Chairman	√	√	√	√	√	5/5
2	Dato' Haji Ghazali bin Awang	Independent Non-Executive Director	x	√	√	√	√	4/5
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	Syed Agel bin Syed Salim	Non-Independent Non-Executive Director	√	√	√	√	√	5/5
6	Dato' Dr. Mohamed Ariffin bin Aton	Non-Independent Non-Executive Director	√	x	x	√	√	3/5
7	Sulaiman Hew bin Abdullah	Independent Non-Executive Director	√	√	√	√	√	5/5
8	Wan Ainol Zilan binti Abdul Rahim	Independent Non-Executive Director	√	√	√	x	√	4/5

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 2016, 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 Trans Pacific Partnership Agreement (TPPA).
- Seminar on Introduction of Companies Act 2016.

Group Company Secretaries

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 were 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 report will first be reviewed and deliberated by the Audit Committee to ensure it complies with the accounting standard requirements set by the Malaysian Accounting Standard's Board.

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.

PRINCIPLE 6
RECOGNISE AND MANAGE RISKS

The Board of Directors recognise the importance of having sound internal controls and risk management practices and 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 systems were designed to identify, evaluate and manage significant risk of the Group.

The Board is assisted by RMC in the implementation of risk management processes within the Group. RMC is assisted by CRRC with the role of identifying strategic and operational risks and in ensuring the implementation of the mitigation plans are appropriately conducted.

The statement on the Company's risk management and internal control system is set out in the Statement on Risk Management and Internal Control on page 53 to 57 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 BMSB.

The Group leverages on the use of information technology for effective dissemination of information by maintaining an official website at www.heitech.com.my which shareholders or the public can access information and updates on the Group, including public announcements, quarterly results, Annual Report and also will be updated to include policies, shareholders rights and Board Charter 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 22nd 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 Corporate Social Reponsibility and sustainability initiatives and activities are set out in Corporate Social Responsibility Statement on page 26 to 29 of this Annual Report.

Sustainability is paramount to the Group. Sustainability creates business value by building reputation, enhancing the employees' morale 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 Company 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 Annual General Meeting.

The Board encourages other channel of communication with shareholders. For this purpose, shareholders and other stakeholders may convey their concerns relating to the Company to the persons on the contact details set out in the Corporate Information Section of this Annual Report.

Investors Relations

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

i) Amir Zahini bin Sahrim
(Group Company Secretary)
- Tel: 03-8601 3000 or amirzahini@heitech.com.my

ii) Rosman Mustafa Kamar
(for Investor Relation and Shareholders 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 2016 save as explained above. This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 5th April 2017.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with paragraph 9.25 of MMLR.

i) Options, Warrants or Convertible Securities
The Company 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 Company and/or its subsidiaries, Directors or Management arising from any significant breach of rules/guidelines/ legislation by the relevant regulatory bodies during the financial year ended 31 December 2016.

iii) Material Contracts
Neither the Company and/or its subsidiaries had entered into any material contracts which involved Directors' and major shareholders' interest during the financial year ended 31 December 2016, save as disclosed under Disclosure to BMSB on page 58 to 59 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 financial year ended 31 December 2016 are as follows:-

	Group (RM)	Company (RM)
Audit fees	431,000	255,000
Non-audit fees	61,000	61,000
Total	492,000	316,000

v) Profit Guarantee
There was no profit guarantee given by the Group during the financial year ended 31 December 2016.

vi) Share Buy Back
There was no share buy back exercise done during the financial year ended 31 December 2016.

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 2016 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 eight (8) times during the financial year ended 31 December 2016. 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 *Chairman of the Committee*	Independent Non-Executive Director	8 out of 8
Syed Agel bin Syed Salim	Non-Independent Non-Executive Director	8 out of 8
Wan Ainol Zilan binti Abdul Rahim	Independent Non-Executive Director	8 out of 8

The Committee meetings were attended by the Senior Management of HeiTech and the Director of Audit & Assurance. External auditors have attended the meeting, upon invitation to brief the Committee on matters pertaning 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.

SUMMARY OF WORK OF THE COMMITTEE

During the financial year ended 31 December 2016, 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 Requirement 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:

- 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 2016.

b. Internal Audit

During the year, the Committee:

i. Reviewed and approved the 2016 Annual Internal Audit Plan;
ii. Reviewed and approved the 2016 KRA/KPIs for the Internal Audit;
iii. Reviewed and deliberated the Internal Audit Reports on significant issues & audit findings, audit recommendations, and management responses & action plans;
iv. Discussed on action taken to improve the effectiveness of the Internal Control System in the audit areas;
v. Monitored the implementation of audit recommendations to ensure that all key risks and controls issues are being addressed;
vi. 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;
vii. 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
viii. 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:

i. The external auditor's 2016 terms of engagement, audit plan, nature, approach and scope of the audit;
ii. The audit fees and key audit staff assigned to the audit engagement;
iii. Issues arising from external auditors' management letter to the Management, Management's response and external auditors' evaluation of the Internal Control System;
iv. The significant accounting and auditing issues arising from the audit and any matters the external auditors may wish to discuss; and
v. The external auditors' report on Directors' Statement on Risk Management and Internal Control ("SORMIC").

The Committee met with the external auditors three (3) times in year 2016, of which, two were held in the absence of Management on 5 April 2016 at Special Audit Committee Meeting No. 3/2016 and 16 November 2016 at 74th 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.

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 2016 for inclusion in the 2016 Annual Report to ensure that they were prepared in compliance with relevant regulatory requirements and guidelines.

AUDIT COMMITTEE REPORT

STATE OF INTERNAL CONTROL

The Statement on Risk Management and Internal Control furnished on page 53 to 57 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 finalise 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 responsibility is to evaluate and improve the effectiveness of risk management, control and governance processes. This is accomplished through a systematic approach of regular reviews and appraisals of the management, control and governance processes based on the review 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.

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. AA is headed by the Director of Audit & Assurance who reports directly to the Committee, and is independent of the activities it audits.

Internal audit is 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 control processes (financial, operational and IT controls) implemented by the Management.

A detailed 2016 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 9 staff as at 31 December 2016. The total operation cost of the department for 2016 was RM844,000 comprising of mainly salaries, travelling expenses, administrative and training.

The internal audit conducted in 2016 comprising of 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 2015 Annual Internal Audit Performance Report for review by the Committee;
b. Prepared the 2016 KRA/KPIs for approval by the Committee;
c. Prepared the 2016 Annual Internal Audit Plan for the approval of the Committee;
d. Implemented the approved 2016 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. Organised internal audit 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 5 April 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Principle 6 of the Malaysian Code on Corporate Governance 2012 ("Code") states that the Board of Directors ("Board") should establish a sound risk management framework and internal control system. 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"), 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 Padu Berhad ("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 or loss.

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 has reviewed and is satisfied with the adequacy, effectiveness and integrity of the Group's risk management and internal control system for the year under review.

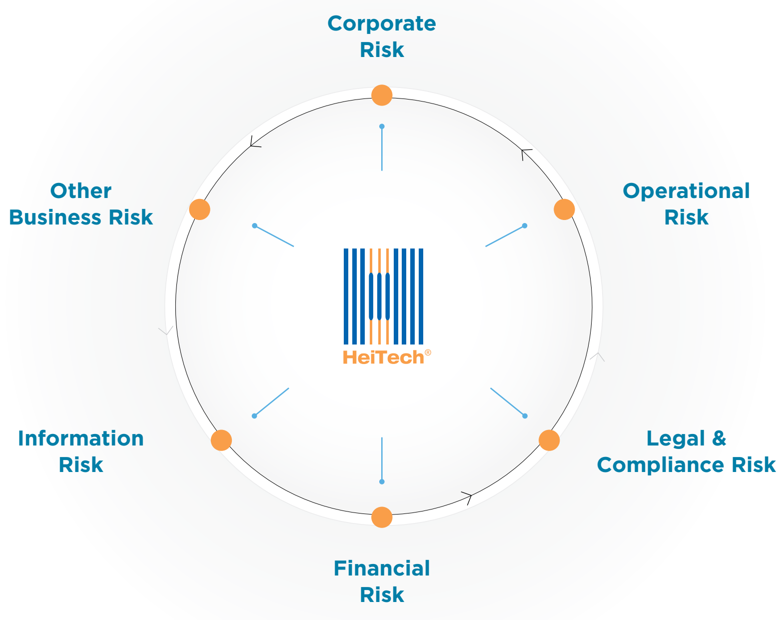
RISK MANAGEMENT

The Board is responsible to ensure the implementation of appropriate systems to manage risks. The Board ensures that HeiTech's risks are identified, evaluated, and managed by on-going systems and continuous processes. HeiTech's risk management framework comprised of 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. The Group's key risk profile is reviewed by the Central Risk Review Committee ("CRRC") on regular basis to verify and confirm the identified risk. Risk mitigation plan will be developed based on the input by the corporate officers such as Finance, Project Management, Corporate Services and Audit. The mitigation plan will be escalated to all levels in HeiTech and will be monitored on a regular basis.

The Board recognises that an effective risk management framework will allow the Group to identify and manage risks that affect the achievement of the Group's business objectives. The risks will be classified into the following 6 categories:



HeiTech Risk Category

The management of risks in the daily business operation is assigned to the management team. Significant risks are identified and related mitigating responses as well as the corresponding internal controls are tabled at the Risk Management Committee ("RMC") and/or board meetings.

STATEMENT ON RISK MANAGEMENT AND 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 44 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.
- Providing safety of employee and the public before, during, and after a disaster.

For the financial year ended 31 December 2016, the main activities of the BCM include the following:

a) 2 disaster recovery tests for systems at HeiTech Village were carried out from 14 March to 18 March 2016 and from 21 November to 25 November 2016.
b) Disaster Recovery test for systems at HeiTech Village 2 was done from 28 June to 30 June 2016.
c) Network tests were carried out as follows:

    - Network trunk redundancy test from 23 March to 24 March 2016
    - Network Seremban node test from 27 May to 28 May 2016
    - Network management systems stablenet test on 30 December 2016

Our commitment towards continuous improvement in employees knowledge and skill set in BCM include attending the fire drill training below:

a) Basic search and rescue training from 29 September to 30 September 2016
b) Emergency response combined drill training from 25 October to 26 October 2016

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) **Organisation Structure**
- Various Board Committees 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

- Group organisational structure that reflects defined Key Result Area and Key Performance Indicators ("KRA/KPIs").

b) **Board and Management Meetings**
- Board meetings that review and deliberates the whole spectrum of the Group's business strategies, directions, challenges and financial statements.
- Management Committee meetings that reviews the Group's operation, business and financial performance, execution of Group's strategic decisions, implementation of quality and business processes in ensuring that overall Group operation are effectively managed and operated.
- Central Risk Review Committee meetings that 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 that appraises and evaluates any innovation investment initiatives prior to presentation to the Board. It also covers the appraisal of the registration of Intellectual Properties.
- Project Steering Committee meetings that monitors the projects' performance and implementation.
- Central Review Committee meetings that reviews 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 that administers and manages the procurement acquisition processes and approval.
- Business Review that appraises 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

- 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, property, personnel 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 51.

e) Limits of Authority

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

f) Policies and Procedures

- Centralised Policies and Procedures of various Divisions, Departments, Units and Projects Teams of the Group through the central repository of process management.

g) Quality Management Systems, Certification and Standards

- Achieved and complied with the MS ISO 9001:2008 Quality Management System ("QMS") certifications since 1998. The scope of certification covers:

    ◦ Provision of management and corporate services to the business groups/ operating divisions/ companies of HeiTech which include Legal Services, Human Resources Management, Competency Development & Training, Procurement Services, AA and Corporate Communication.
    ◦ Provision of Network Services (front end and back end): WAN Installation and Maintenance Services and LAN Installation and Maintenance Services
    ◦ Finance and Procurement of HeiTech Managed Services Sdn Bhd ("HMS")
    ◦ Account Management of HMS
    ◦ Provision of Help Desk Support Services
    ◦ Provision of Data Centre Operations for Permodalan Nasional Berhad ("PNB")
    ◦ Design, development and maintenance of application software for PNB
    ◦ Transition to MS ISO 9001:2015 – Had initiated the ISO 9001 version upgrade in Quarter 1, 2016

- Achieved and conform to the ISO/IEC 27001:2013 Information Security Management System ("ISMS") certification since 2006 for services provided by HMS. The scope of certification covers:

    ◦ Padu*Net Nodes Infrastructure
    ◦ Business Recovery Management Services
    ◦ Internet Data Center Services
    ◦ Desktop Management Services
    ◦ Call Center Operations Services

- Achieved and conform to the ISO/IEC 20000-1:2011 Service Management System ("SMS") certification since 2010 for services provided by HMS. The scope of certification covers:

    ◦ Wide Area Network Services (WAN)
    ◦ Local Area Network Services (LAN)
    ◦ Desktop Management Services (DMS)
    ◦ Data Center Services (DCS)
    ◦ Helpdesk Support Services

- 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.
- The data center in HeiTech Village 2 is designed and maintained in accordance to Uptime Institute Standards on mechanical and electrical component and Tier IV ready under the Telecommunication Industry Association – Telecommunications Infrastructure Standards for Data Centers (TIA942) on the following components;

    i. Mechanical (cooling system);
    ii. Electrical (based on Uptime);
    iii. Architectural (civil & structures); and
    iv. Network (connectivity for WAN & LAN)

- In Quarter 2, 2016 HMS has embarked into Payment Card Industry Data Security Standard (PCI DSS) certification. A series of activities were carried out, among them are awareness on PCI DSS, gap analysis, remediation of gap and the audit and certification. The audit was carried out from 17-18 November 2016 by ControlCase LLC, a Qualified Security Assessor Company based in the United States of America.
- 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 - including merchants, processors, acquirers, issuers, and service providers. The scope of HMS 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 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. 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 Information Technology 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 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.

h) Strategic Planning

- Preparation of annual Business Plan by HeiTech and all subsidiaries under the Group. The business plan will be tabled for deliberation and approval by the respective company's board of directors and HeiTech Board.
- Preparation of the Operational Masterplan for monitoring the progress of the business plan
- Forum between Chief Executive Officers of all subsidiaries under the Group as an avenue to discuss and streamline the Group's initiatives. It is also a platform to update on any changes to the corporate policy and any other operational matters.
- HeiTech School of Sales for customers fronting personnel as a platform used to demonstrate/broadcast products and services offered by the Group. The objective of this initiative is to create synergy and to enrich the offerings to customers.

i) 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 available online at http://ipractices.heitech.com.my/hdp/

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 service 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 communication 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.
- The WBP as set out is available in HeiTech's Employee Self Service Portal. An overview of the WBP is available in HeiTech's website.

STATEMENT ON RISK MANAGEMENT AND 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 5 April 2017.

DISCLOSURE TO BURSA MALAYSIA

NO.	DATE	ANNOUNCEMENT
1	05 Apr 2017	**Transactions (Chapter 10 of Listing Requirements) : Recurrent Related Party Transactions** Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature
2	03 Mar 2017	**OTHERS (Amended Announcement)** Contract (Agreement) between Permodalan Nasional Berhad and HeiTech Padu Berhad for The Supply, Installation, Commissioning, Operation, and Maintenance of Managed Wide Area Network (WAN) Infrastructure Services for Permodalan Nasional Berhad (PNB) and Amanah Saham Nasional Berhad (ASNB)
3	02 Mar 2017	**OTHERS (Amended Announcement)** Contract (Agreement) between Permodalan Nasional Berhad and HeiTech Padu Berhad for The Supply, Installation, Commissioning, Operation, and Maintenance of Managed Wide Area Network (WAN) Infrastructure Services for Permodalan Nasional Berhad (PNB) and Amanah Saham Nasional Berhad (ASNB)
4	01 Mar 2017	**OTHERS** Contract (Agreement) between Permodalan Nasional Berhad and HeiTech Padu Berhad for The Supply, Installation, Commissioning, Operation, and Maintenance of Managed Wide Area Network (WAN) Infrastructure Services for Permodalan Nasional Berhad (PNB) and Amanah Saham Nasional Berhad (ASNB)
5	28 Feb 2017	Quarterly rpt on consolidated results for the financial period ended 31/12/2016
6	30 Dec 2016	**OTHERS** Acceptance of Letter of Award for The New Core Banking Infrastructure Technology Refresh Project for Bank Simpanan Nasional
7	19 Dec 2016	**OTHERS (Amended Announcement)** Acceptance of Letter of Award for The Appointment of Duta Technic Sdn Bhd (Subsidiary Of HeiTech Padu Berhad) by Tenaga Nasional Berhad for Mainhead B : Proposed 132kv Single Circuit Loop In/Out Into PMU Tunjung From Kota Bharu Tanah Merah Transmission Line
8	19 Dec 2016	**OTHERS (Amended Announcement)** Acceptance of Letter of Award for The Appointment of Duta Technic Sdn Bhd (Subsidiary of HeiTech Padu Berhad) By Tenaga Nasional Berhad For Mainhead A : Proposed 275kv Double Circuit Loop In/Out Into PMU Kangkar Tebrau From Permas Jaya Skudai Transmission Line
9	16 Dec 2016	**OTHERS** Acceptance of Letter of Award for The Appointment of Duta Technic Sdn Bhd (Subsidiary of HeiTech Padu Berhad) By Tenaga Nasional Berhad For Mainhead A : Proposed 275kv Double Circuit Loop In/Out Into PMU Kangkar Tebrau From Permas Jaya Skudai Transmission Line
10	16 Dec 2016	**OTHERS** Acceptance of Letter of Award for The Appointment of Duta Technic Sdn Bhd (Subsidiary Of HeiTech Padu Berhad) by Tenaga Nasional Berhad for Mainhead B : Proposed 132kv Single Circuit Loop In/Out Into PMU Tunjung From Kota Bharu Tanah Merah Transmission Line
11	21 Nov 2016	Quarterly rpt on consolidated results for the financial period ended 30/09/2016
12	08 Nov 2016	**OTHERS** Acceptance of Letter of Award for Fomema's Foreign Worker Medical Examination System (FWMES) Integration with MyIMMS, Department Of Immigration Malaysia and Biometric Verification of Foreign Workers In Malaysia
13	01 Nov 2016	**OTHERS** Acceptance of Letter of Award for The Procurement of Maintenance Services of Mysikap System For The Road Transport Department (JPJ)
14	18 Oct 2016	**OTHERS** Disaster Recovery Services and Office Rental Services for Prudential Services Asia Sdn Bhd

DISCLOSURE TO BURSA MALAYSIA

NO.	DATE	ANNOUNCEMENT
15	10 Oct 2016	**OTHERS** Appointment and Acceptance for Data Centre Services No. 2 and Disaster Recovery Centre for a Period of 3 Years for The Construction Industry Development Board (CIDB)
16	14 Sep 2016	**OTHERS** HeiTech Padu Berhad ("HeiTech" or "The Company") - Proposed Joint Venture Between HeiTech Padu Berhad and Elite Capital Ltd
17	25 Aug 2016	Quarterly rpt on consolidated results for the financial period ended 30/06/2016
18	08 Aug 2016	**OTHERS** Acceptance of Letter of Award for The Appointment of Duta Technic Sdn Bhd (Subsidiary of HeiTech Padu Berhad) by Tenaga Nasional Berhad for The Establishment of PMU 132/33kv MRT Semantan GIS (2x90mva), Kuala Lumpur
19	21 Jun 2016	**OTHERS** News Straits Times article dated 20th June 2016 Entitled "HeiTech Eyes Higher Public Revenue"
20	21 Jun 2016	General Meetings: Outcome of Meeting
21	26 May 2016	Quarterly rpt on consolidated results for the financial period ended 31/03/2016
22	23 May 2016	General Meetings: Notice of Meeting
23	19 May 2016	**OTHERS** Review, Engineering, Design, Build, Integrate, Data Transfer, Testing Services and Certification of The Software, And System Applications And Maintenance (Within Warranty) of The Strategic Management Information Systems for The Construction Industry Development Board Malaysia (CIDB)
24	28 Apr 2016	Annual Report – 2015
25	28 Apr 2016	Annual Audited Accounts - 31 Dec 2015
26	15 Apr 2016	Circular to Shareholders in Relation to Proposed Renewal of Shareholder Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

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.

Results

	Group	Company
	RM'000	RM'000
Profit for the year	7,883	833
Profit attributable to:		
Owners of the parent	7,169	833
Non-controlling interests	714	-
	7,883	833

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

No dividend has been paid or declared by the Company since the end of the previous financial year.

At the forthcoming Annual General Meeting, a final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2016, of 5% on 101,225,300 ordinary shares, amounting to a dividend payable of RM5,061,265 (5 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

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
Dato' Dr. Mohamed Ariffin bin Aton
Tuan Syed Agel bin Syed Salim
Sulaiman Hew bin Abdullah
Wan Ainol Zilan binti Abdul Rahim

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 in Note 7 to the financial statements) 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.

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 of RM1.00 each			
	1 January 2016	**Bought**	**Sold**	**31 December 2016**
The Company				
Direct interest				
Dato' Sri Mohd Hilmey bin Mohd Taib	7,820,184	-	-	7,820,184
Tuan Syed Agel bin Syed Salim	12,500	-	-	12,500
Indirect interest *				
Dato' Sri Mohd Hilmey bin Mohd Taib	30,521,028	-	-	30,521,028

** Held through Padujade Corporation Sdn. Bhd.*

HeiTech Academy Sdn. Bhd. - a fellow subsidiary				
Direct interest				
Dato' Sri Mohd Hilmey bin Mohd Taib	1	-	-	1

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.

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 allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance 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 allowance 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.

Auditors and auditors' remuneration

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

Auditors' remuneration are disclosed in Note 9 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 5 April 2017.

Dato' Sri Mohd Hilmey bin Mohd Taib | **Dato' Haji Ghazali bin Awang**

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 page 70 to 149 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 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 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 37 on page 149 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 5 April 2017.

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 page 70 to 149 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 the Federal Territory
on 5 April 2017

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 2016 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 page 70 to 148.

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 2016, 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 1965 in Malaysia.

Basis of 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.

Impairment assessment of goodwill

The carrying amount of goodwill as of 31 December 2016 is RM17.8 million, which represents 4% of total assets and 10% 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 a certain CGU which is 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 CGU is based on best information available from an independent third party.

The aforementioned above impairment review give rise to an impairment loss of RM1.046million which has been recognized in the statement of comprehensive income for the year ended 31 December 2016.

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.

Key Audit Matters (cont'd.)

Impairment assessment of goodwill (cont'd.)

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 a CGU, 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, as disclosed in Note 14 to the consolidated financial statements.

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 2016, 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 2016, 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 1965 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 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 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.

Other reporting responsibilities

The supplementary information set out in Note 37 on page 149 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No. 1759/02/18(J)
Chartered Accountant

Kuala Lumpur
5 April 2017

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	**2016**	**2015**	**2016**	**2015**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	4	**362,588**	376,238	**298,418**	318,794
Other income	5	**10,743**	8,151	**28,528**	12,612
Employee benefits expense	6	**(91,172)**	(90,994)	**(17,927)**	(28,785)
Purchase of hardware and software		**(58,889)**	(45,347)	**(17,100)**	(15,103)
Lease line rental		**(38,795)**	(49,990)	**(65,844)**	(73,914)
Maintenance costs		**(24,336)**	(32,420)	**(116,970)**	(107,347)
Bulk mailing processing charges		**(13,414)**	(17,786)	**-**	-
Project implementation costs		**(28,940)**	(42,147)	**(41,984)**	(41,169)
Depreciation	9	**(11,392)**	(12,226)	**(8,543)**	(9,472)
Other expenses		**(85,305)**	(81,526)	**(50,623)**	(48,267)
Finance costs	8	**(7,565)**	(9,328)	**(7,122)**	(8,381)
Share of results of associates		**526**	(194)	**-**	-
Profit/(Loss) before tax	9	**14,049**	2,431	**833**	(1,032)
Income tax expense	10	**(6,166)**	(1,219)	**-**	(266)
Profit/(Loss) for the year		**7,883**	1,212	**833**	(1,298)
Profit/(Loss) attributable to:					
Owners of the parent		**7,169**	934	**833**	(1,298)
Non-controlling interests		**714**	278	**-**	-
		7,883	1,212	**833**	(1,298)
Profit/(Loss) per share attributable to owners of the parent (sen per share):					
Basic/diluted	12	**7.08**	0.92		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

	Note	Group		Company	
		2016	**2015**	**2016**	**2015**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) for the year		**7,883**	1,212	**833**	(1,298)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation, net of income tax of nil		**2,219**	2,135	**-**	-
Total comprehensive income/(loss) for the year		**10,102**	3,347	**833**	(1,298)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**9,468**	2,874	**833**	(1,298)
Non-controlling interests		**634**	473	**-**	-
		10,102	3,347	**833**	(1,298)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	**55,582**	63,902	**41,855**	47,791
Intangible assets	14	**31,190**	30,676	**-**	66
Investments in subsidiaries	15	**-**	-	**50,383**	47,883
Investments in associates	16	**4,420**	3,895	**-**	-
Available-for-sale financial assets	17	**2,914**	4,381	**2,751**	3,717
Lease receivable	18	**37,003**	40,249	**37,003**	40,249
Deferred tax assets	19	**50**	45	**-**	-
		131,159	143,148	**131,992**	139,706
Current assets					
Inventories	20	**1,059**	819	**-**	-
Trade and other receivables	21	**140,495**	137,594	**156,511**	154,578
Other current assets	22	**105,227**	86,813	**94,662**	85,941
Tax recoverable		**994**	3,787	**-**	2,401
Cash and bank balances	24	**81,591**	83,095	**61,483**	55,927
		329,366	312,108	**312,656**	298,847
Total assets		**460,525**	455,256	**444,648**	438,553
Equity and liabilities					
Current liabilities					
Amounts due to customers on contract	23	**1,554**	-	**1,554**	-
Loans and borrowings	25	**136,968**	119,695	**136,186**	118,619
Trade and other payables	26	**107,479**	113,898	**134,329**	132,684
Tax payable		**2,463**	145	**1,753**	-
		248,464	233,738	**273,822**	251,303
Net current assets		**80,902**	78,370	**38,834**	47,544

		Group		Company	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Deferred tax liabilities	19	**786**	1,314	**-**	-
Loans and borrowings	25	**33,222**	52,253	**27,583**	44,840
		34,008	53,567	**27,583**	44,840
Total liabilities		**282,472**	287,305	**301,405**	296,143
Net assets		**178,053**	167,951	**143,243**	142,410
Equity attributable to owners of the parent					
Share capital	27	**101,225**	101,225	**101,225**	101,225
Share premium	27	**16,526**	16,526	**16,526**	16,526
Retained earnings	28	**52,861**	45,692	**25,492**	24,659
Foreign currency translation reserve	29	**663**	(1,636)	**-**	-
		171,275	161,807	**143,243**	142,410
Non-controlling interests		**6,778**	6,144	**-**	-
Total equity		**178,053**	167,951	**143,243**	142,410
Total equity and liabilities		**460,525**	455,256	**444,648**	438,553

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 2016

	Attributable to owners of the parent						
	Non-distributable		Distributable	Non-distributable			
	Share capital (Note 27)	Share premium (Note 27)	Retained earnings (Note 28)	Foreign currency translation reserve (Note 29)	Total equity attributable to owners of the parent	Non-controlling Interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
At 1 January 2016	**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**
At 31 December 2016	**101,225**	**16,526**	**52,861**	**663**	**171,275**	**6,778**	**178,053**
At 1 January 2015	101,225	16,526	46,783	(3,576)	160,958	5,671	166,629
Profit for the year	-	-	934	-	934	278	1,212
Other comprehensive income	-	-	-	1,940	1,940	195	2,135
Total comprehensive income for the financial year	-	-	934	1,940	2,874	473	3,347
Transactions with owners							
Dividend paid (Note 11), representing total transactions with owners	-	-	(2,025)	-	(2,025)	-	(2,025)
At 31 December 2015	101,225	16,526	45,692	(1,636)	161,807	6,144	167,951

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)

	← Non-distributable	→	Distributable	
	Share capital (Note 27)	Share premium (Note 27)	Retained earnings (Note 28)	Total equity
	RM'000	RM'000	RM'000	RM'000
Company				
At 1 January 2016	**101,225**	**16,526**	**24,659**	**142,410**
Total comprehensive income for the financial year	**-**	**-**	**833**	**833**
At 31 December 2016	**101,225**	**16,526**	**25,492**	**143,243**
At 1 January 2015	101,225	16,526	27,982	145,733
Total comprehensive loss for the financial year	-	-	(1,298)	(1,298)
Dividend paid (Note 11)	-	-	(2,025)	(2,025)
At 31 December 2015	101,225	16,526	24,659	142,410

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 2016

		Group		Company	
	Note	2016	2015	2016	2015
Cash flows from operating activities		RM'000	RM'000	RM'000	RM'000
Profit/(loss) before tax		**14,049**	2,431	**833**	(1,032)
Adjustments to reconcile profit/(loss) before tax to net cash flows:					
Gain on disposal of property, plant and equipment	9	**(68)**	(1,414)	**-**	-
Property, plant and equipment written off	9	**-**	1,011	**-**	-
Interest income	5	**(1,873)**	(1,253)	**(1,418)**	(1,063)
Dividend income	5	**(59)**	(1,457)	**(14,099)**	(1,457)
Finance costs	8	**7,565**	9,328	**7,122**	8,381
Depreciation	9	**11,392**	12,226	**8,543**	9,472
Reversal of impairment loss on:					
- Trade receivables	9	**(4,444)**	(200)	**(3,071)**	(162)
- Other receivables	9	**-**	(799)	**-**	(656)
Impairment loss on:					
- Trade receivables	9	**6,072**	3,875	**4,722**	8,094
- Other receivables	9	**3,542**	2,110	**3,542**	2,110
- Investment in associate	9	**1,800**	-	**1,800**	-
- Available-for-sale financial assets	9	**1,467**	2,431	**966**	2,431
- Goodwill	9	**1,046**	831	**-**	-
- Bad debts written off	9	**-**	59	**-**	-
Amortisation of intangible assets	9	**1,555**	747	**66**	87
Unrealised foreign exchange gain	9	**(716)**	-	**(716)**	-
Share of results of associates		**(526)**	194	**-**	-
Total adjustments		**26,753**	27,689	**7,457**	27,237
Operating profit before working capital changes carried forward		**40,802**	30,120	**8,290**	26,205

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from operating activities (cont'd.)					
Changes in working capital					
(Increase)/Decrease in inventories		**(240)**	282	**-**	-
Increase in trade and other receivables		**(7,355)**	(34,746)	**(6,410)**	(36,280)
(Increase)/Decrease in other current assets and lease receivables		**(15,168)**	13,352	**(5,475)**	14,224
Increase in amounts due to customers on contracts		**1,554**	-	**1,554**	-
(Decrease)/Increase in trade and other payables		**(6,419)**	12,008	**1,645**	779
Total changes in working capital		**(27,628)**	(9,104)	**(8,686)**	(21,277)
Cash generated from/(used in) operations		**13,174**	21,016	**(396)**	4,928
Interest paid	8	**(7,565)**	(9,328)	**(7,122)**	(8,381)
Taxes (paid)/recoverable		**(1,588)**	(2,026)	**4,154**	(1,451)
Net cash flows generated from/(used in) operating activities		**4,021**	9,662	**(3,364)**	(4,904)
Investing activities					
Purchase of property, plant and equipment	13	**(3,102)**	(4,705)	**(2,607)**	(1,313)
Interest received		**1,873**	1,253	**1,418**	1,063
Proceeds from disposal of property, plant and equipment		**287**	-	**-**	-
Software and deferred development costs incurred	14	**(3,115)**	(2,224)	**-**	-
Net cash outflow on acquisition of subsidiaries	15	**-**	(543)	**-**	-
Increase in investment in a subsidiary		**-**	-	**(2,500)**	-
Increase in investment in an associate	16	**(1,800)**	-	**(1,800)**	-
Dividend received		**59**	1,457	**14,099**	1,457
Net cash flows (used in)/generated from investing activities		**(5,798)**	(4,762)	**8,610**	1,207

		Group		Company	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities (cont'd.)					
Financing activities					
Net proceeds/(repayments) of loans and borrowings		**12,031**	(96,959)	**12,829**	(96,316)
Net proceeds/(repayments) of obligations under finance leases		**16**	(2,309)	**481**	(2,278)
Placement of deposits with licensed banks		**(3,114)**	-	**-**	-
Deposits uplifted from securities for bank borrowings		**11,752**	71,732	**441**	76,520
Net cash flows generated from/(used in) financing activities		**20,685**	(27,536)	**13,751**	(22,074)
Net increase/(decrease) in cash and cash equivalents		**18,908**	(22,636)	**18,997**	(25,771)
Effect of exchange rate changes		**2,031**	1,991	**-**	-
Cash and cash equivalents at 1 January		**(28,869)**	(8,224)	**(40,314)**	(14,543)
Cash and cash equivalents at 31 December	24	**(7,930)**	(28,869)	**(21,317)**	(40,314)

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

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.

The principal activities of the subsidiaries are described in Note 15 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

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, 1965 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 2016, 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 2016.

Description	**Effective for annual periods beginning on or after**
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016

The adoption of the above standards and interpretation will have no material effect on the financial statements of the Group and of the Company.

2. Summary of significant accounting policies (cont'd.)

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.

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
Amendments to MFRS 12 (Annual Improvements to MFRS Standards 2014–2016 Cycle)	1 January 2017
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 16 Leases	1 January 2019

The adoption of the above 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 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 this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group and on the Company.

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

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.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard 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. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but no impact on the classification and measurement of the Group’s financial liabilities.

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. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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 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 in year 2017.

2. Summary of significant accounting policies (cont'd.)

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.

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.

2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation (cont'd.)

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.

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 over the net identifiable assets acquired and liabilities assumed. 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.

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.

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.

2. Summary of significant accounting policies (cont'd.)

2.7 Property, plant and equipment (cont'd.)

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 ⅓ %
Renovation	15%
Machinery	6% - 13%

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.

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) Other intangible assets

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

2. Summary of significant accounting policies (cont'd.)

2.8 Intangible assets (cont'd.)

(b) Other intangible assets (cont'd.)

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.

Gains or losses arising from derecognition of an 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.

Research and development costs

Research costs are expensed as incurred. Development costs arising from development expenditures on an individual project are recognised 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 its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during development. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the assets begin when the development is complete and the asset is available for used. Development costs have a finite useful life and are amortised over the period of expected future benefit.

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. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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.

2. Summary of significant accounting policies (cont'd.)

2.10 Investments in associates (cont'd.)

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.

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.

2. Summary of significant accounting policies (cont'd.)

2.12 Financial assets (cont'd.)

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.

(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 2016.

(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.

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 2016.

2. Summary of significant accounting policies (cont'd.)

2.12 Financial assets (cont'd.)

(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.

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 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, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

2. Summary of significant accounting policies (cont'd.)

2.13 Impairment of financial assets (cont'd.)

(a) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)

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.

(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.

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.

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.

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.

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, within the scope of MFRS 139, 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.

2. Summary of significant accounting policies (cont'd.)

2.18 Financial liabilities (cont'd.)

(b) Other financial liabilities (cont'd.)

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.

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.

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.

(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.

(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. Summary of significant accounting policies (cont'd.)

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.

(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.

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.

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 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.

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.

2. Summary of significant accounting policies (cont'd.)

2.27 Fair value measurements (cont'd.)

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.

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) 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.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd.)

(a) Impairment of goodwill (cont'd.)

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 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.

(b) Income taxes

Significant 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 recognise 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. Information on income taxes is disclosed in Note 10.

(c) Deferred tax assets

Deferred tax assets are recognised for unrecognised tax losses, unabsorbed capital allowances and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses, unabsorbed capital allowances and other temporary differences can be utilised. Significant management judgement 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 unrecognised tax losses, capital allowances and other temporary differences of the Group and the Company were RM10,192,000 (2015: RM23,466,000) and RM1,517,000 (2015: RM Nil) as disclosed in Note 19.

(d) 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.

(e) Development cost

The Group capitalises project development costs incurred as part of requirement in bidding for projects which are considered high in value and strategic to the Group's business. Significant judgement is required in determining the extent of costs incurred and the recoverability of the development costs. In making the judgement, the Group evaluates based on past experiences, current external economic factors and the progress and development of the contract.

(f) Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, 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. The carrying amount of the Group's and the Company's loans and receivables at the reporting date is disclosed in Note 21.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd.)

(g) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the reporting date is disclosed in Note 13.

4. Revenue

Revenue of the Group and of the Company consist of the following:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysian Communications and Multimedia Commission (MCMC) Licensable Activities				
Network related services	**65,844**	75,259	**65,844**	75,259
Internet data centre services	**709**	671	**-**	-
	66,553	75,930	**65,844**	75,259
Other activities				
Sale of hardware and software	**33,782**	62,133	**18,646**	45,237
Maintenance charges	**117,144**	122,188	**117,144**	122,188
System application and development	**44,623**	40,480	**44,623**	40,480
Disaster recovery and facility management services	**45,332**	29,465	**46,041**	30,136
Bulk mailing charges	**25,516**	31,409	**-**	-
Engineering works	**20,673**	7,055	**-**	-
Others	**8,965**	7,578	**6,120**	5,494
	296,035	300,308	**232,574**	243,535
Total revenue	**362,588**	376,238	**298,418**	318,794

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.

5. Other income

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income from:				
- Fixed deposits from license banks	**1,873**	1,253	**1,418**	1,063
Dividend income from:				
- Available-for-sale financial assets	**59**	1,457	**59**	1,457
- A subsidiary	**-**	-	**14,040**	-
Gain on disposal of property, plant and equipment	**68**	1,414	**-**	-
Rental income	**2,443**	2,859	**8,579**	9,569
Reversal of impairment loss on trade and other receivables	**4,444**	425	**3,071**	169
Realised gain on foreign exchange	**1,062**	-	**1,062**	-
Training	**84**	323	**-**	323
Others	**710**	420	**299**	31
	10,743	8,151	**28,528**	12,612

6. Employee benefits expense

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages and salaries	**73,978**	74,109	**14,398**	23,563
Defined contributions plans and social security contributions	**10,729**	9,971	**2,369**	2,912
Other benefits	**6,465**	6,914	**1,160**	2,310
	91,172	90,994	**17,927**	28,785

Included in employee benefits expense of the Group and of the Company are non-executive directors' remuneration amounting to RM1,342,000 (2015: RM1,496,000) and RM1,165,000 (2015: RM1,282,000) respectively as further disclosed in Note 7.

7. Directors' remuneration

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-executive : director's remuneration				
Fees	**223**	407	**122**	353
Other emoluments	**1,119**	1,089	**1,043**	929
Total directors' remuneration (Note 31)	**1,342**	1,496	**1,165**	1,282

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2016	**2015**
Non-executive directors:		
Up to RM50,000	**7**	7
RM900,001 - RM950,000	**-**	1
RM950,001 - RM1,050,000	**1**	-

8. Finance costs

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on:				
Term loans	**759**	818	**450**	339
Revolving credits	**2,957**	3,152	**2,957**	3,152
Obligations under finance leases	**17**	236	**17**	191
Bank overdrafts	**2,519**	3,022	**2,492**	3,022
Due to directors of a subsidiary	**99**	99	**-**	-
Others	**1,214**	2,001	**1,206**	1,677
	7,565	9,328	**7,122**	8,381

9. Profit/(Loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amortisation of intangible assets (Note 14)	**1,555**	747	**66**	87
Auditors' remuneration				
- Statutory audit	**431**	401	**255**	231
- Other services	**61**	61	**61**	51
Office rental	**5,544**	5,966	**4,731**	4,650
Impairment loss on:				
- Trade receivables (Note 21)	**6,072**	3,875	**4,722**	8,094
- Other receivables (Note 21)	**3,542**	2,110	**3,542**	2,110
- Investment in subsidiaries	**-**	-	**-**	49
- Investment in associates	**1,800**	-	**1,800**	-
- Available-for-sale financial assets (Note 17)	**1,467**	2,431	**966**	2,431
- Goodwill (Note 14)	**1,046**	831	**-**	-
Reversal of impairment loss on:				
- Trade receivables (Note 21)	**(4,444)**	(200)	**(3,071)**	(162)
- Other receivables (Note 21)	**-**	(799)	**-**	(656)
Property, plant and equipment written off	**-**	1,011	**-**	-
Gain on disposal of property, plant and equipment	**(68)**	(1,414)	**-**	-
Depreciation of property, plant and equipment (Note 13)	**11,392**	12,226	**8,543**	9,472
Bad debts written off	**-**	59	**-**	-
Unrealised foreign exchange gain	**(716)**	-	**(716)**	-

10. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Statements of comprehensive income:				
Current income tax:				
Malaysian income tax	**5,806**	1,219	**-**	266
Foreign tax	**-**	(436)	**-**	-
	5,806	783	**-**	266
Under/(over) provision in prior years:				
Malaysian income tax	**1,076**	-	**-**	-
Foreign tax	**(18)**	-	**-**	-
	1,058	-	**-**	-
	6,864	783	**-**	266
Deferred tax (Note 19):				
Relating to origination and reversal of temporary differences	**49**	616	**-**	-
Overprovision in prior years	**(747)**	(180)	**-**	-
	(698)	436	**-**	-
Income tax expense recognised in profit or loss	**6,166**	1,219	**-**	266

10. Income tax expense (cont'd.)

Reconciliations between tax expense and accounting profit/(loss)

The reconciliations between tax expense and the accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) before tax	**14,049**	2,431	**833**	(1,032)
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	**3,372**	608	**200**	(258)
Different tax rate in other countries	**(9)**	53	**-**	-
Effect of income not subject to tax	**(14)**	(283)	**(3,384)**	(283)
Effect of expenses not deductible for tax purposes	**5,720**	3,523	**2,820**	3,582
Utilisation of group relief	**(212)**	-	**-**	-
Deferred tax assets recognised during the year	**(153)**	(892)	**-**	(892)
Deferred tax assets not recognised during the year	**364**	273	**364**	-
Utilisation of previously unrecognised tax losses and deferred tax assets	**(3,185)**	(1,883)	**-**	(1,883)
Share of results of associates	**(28)**	-	**-**	-
Overprovision of deferred tax in prior years	**(747)**	(180)	**-**	-
Underprovision of income tax in prior years	**1,058**	-	**-**	-
Income tax expense recognised in profit or loss	**6,166**	1,219	**-**	266

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) 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.

11. Dividend

	Dividend in respect of Year		Dividend recognised in Year	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Group and Company				
Interim dividend for 2015: 2% single-tier dividend on 101,225,300 ordinary shares (2 sen per ordinary share)	-	2,025	-	2,025

At the forthcoming Annual General Meeting, a final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2016, of 5% on 101,225,300 ordinary shares, amounting to a dividend payable of RM5,061,265 (5 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

12. Profit per share

Basic profit per share are calculated by dividing the profit for the year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted profit per share is calculated by dividing the 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 profit per share for the current year is equal to basic 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.

The following tables reflect the profit and share data used in the computation of basic and diluted profit per share for the years ended 31 December:

	Group	
	2016	2015
	RM'000	RM'000
Profit attributable to owners of the parent:	**7,169**	934

	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares in issue for diluted profit per share computation	**101,225**	101,225

	Group	
	2016	2015
Basic/diluted profit per share (sen per share)	**7.08**	0.92

13. Property, plant and equipment

Group	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
Cost							
At 1 January 2015	11,506	44,916	2,861	60,432	171,354	21,260	312,329
Acquisition of new subsidiaries	-	-	-	16	22	9	47
Additions	-	253	457	2,355	1,556	84	4,705
Write off	-	-	-	(3,133)	(455)	-	(3,588)
Disposals	-	(1,714)	(162)	(1,970)	(3,253)	-	(7,099)
Exchange differences	-	283	93	587	-	-	963
At 31 December 2015 and 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	11,506	47,014	3,429	55,149	170,521	21,017	308,636

13. Property, plant and equipment (cont'd.)

Group	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
Accumulated depreciation							
At 1 January 2015	-	22,442	2,398	32,283	161,316	20,157	238,596
Charge for the year	-	5,420	223	2,278	3,203	1,102	12,226
Write off	-	-	-	(2,122)	(455)	-	(2,577)
Disposals	-	(163)	(162)	(2,849)	(1,995)	-	(5,169)
Exchange differences	-	36	49	294	-	-	379
At 31 December 2015 and 1 January 2016	-	27,735	2,508	29,884	162,069	21,259	243,455
Charge for the year	-	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	-	34,275	2,684	30,832	164,372	20,891	253,054
Net carrying amount							
At 31 December 2015	11,506	16,003	741	28,403	7,155	94	63,902
At 31 December 2016	11,506	12,739	745	24,317	6,149	126	55,582

13. Property, plant and equipment (cont'd.)

Company	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
Cost							
At 1 January 2015	9,895	39,713	1,301	31,036	163,286	21,585	266,816
Additions	-	-	-	588	641	84	1,313
At 31 December 2015 and 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	9,895	42,989	1,918	28,603	164,919	21,325	269,649

13. Property, plant and equipment (cont'd.)

Company	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
Accumulated depreciation							
At 1 January 2015	-	21,214	1,224	12,916	155,339	20,173	210,866
Charge for the year	-	5,128	19	454	2,780	1,091	9,472
At 31 December 2015 and 1 January 2016	-	26,342	1,243	13,370	158,119	21,264	220,338
Charge for the year	-	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	-	34,386	1,334	11,086	159,797	21,191	227,794
Net carrying amount							
At 31 December 2015	9,895	13,371	58	18,254	5,808	405	47,791
At 31 December 2016	9,895	8,603	584	17,517	5,122	134	41,855

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 RM8,647,000 (2015: RM12,781,000) and RM8,647,000 (2015: RM9,689,000) respectively.

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:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Freehold land	**9,895**	9,895	**9,895**	9,895
Building	**2,800**	2,872	**-**	-
	12,695	12,767	**9,895**	9,895

14. Intangible assets

	Goodwill	Secured contract	Software development costs	Total
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost				
At 1 January 2015	19,395	780	10,662	30,837
Acquisition of a subsidiary	2,843	-	-	2,843
Additions	-	-	2,224	2,224
At 31 December 2015 and 1 January 2016 (as previously stated)	22,238	780	12,886	35,904
Adjustments to the provisional amount on the acquisition of a subsidiary (Note 15(a))	(373)	373	-	-
At 31 December 2015 and 1 January 2016 (restated)	21,865	1,153	12,886	35,904
Additions	-	-	3,115	3,115
At 31 December 2016	21,865	1,153	16,001	39,019

14. Intangible assets (cont'd.)

Group	Goodwill RM'000	Secured contract RM'000	Software development costs RM'000	Total RM'000
Accumulated amortisation and impairment				
At 1 January 2015	2,188	213	1,249	3,650
Impairment	831	-	-	831
Amortisation	-	213	534	747
At 31 December 2015 and 1 January 2016	3,019	426	1,783	5,228
Impairment	1,046	-	-	1,046
Amortisation	-	398	1,157	1,555
At 31 December 2016	4,065	824	2,940	7,829
Net carrying amount				
At 31 December 2015	18,846	727	11,103	30,676
At 31 December 2016	17,800	329	13,061	31,190

Company	Software development costs RM'000
Cost	
At 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016	1,054

14. Intangible assets (cont'd.)

Company	Software development costs RM'000
Accumulated amortisation	
At 1 January 2015	901
Amortisation	87
At 31 December 2015 and 1 January 2016	988
Amortisation	66
At 31 December 2016	1,054
Net carrying amount	
At 31 December 2015	66
At 31 December 2016	-

Impairment testing of goodwill

Goodwill arising from business combinations has been allocated to four individual cash-generating units ("CGUs") for impairment testing as follows:

	Group	
	2016	2015
	RM'000	RM'000
Computer software development, sales and support	**4,486**	5,532
Mailing and document processing services	**6,589**	6,589
Mobile value added services	**4,255**	4,255
Engineering works	**2,470**	2,843
	17,800	19,219

Due to the shortfall in the fair value less cost to sell against the carrying amount of the computer software development, sales and support CGU in the information technology segment, management has recognised an impairment loss of RM1,046,000 in the current year against goodwill with a carrying amount of RM17,800,000 as at 31 December 2016. The impairment charge of RM1,046,000 (2015: RM831,000) is recorded within other expenses in the statements of comprehensive income.

14. Intangible assets (cont'd.)

The recoverable amount of all the CGUs are based on value in use, except for a CGU that is based on fair value less costs to sell for the year ended 31 December 2016.

(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.

(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.

	Group	
	2016	**2015**
Computer software development, sales and support	**Nil**	0% - 1%
Mailing and document processing services	**2%**	0% - 2%
Mobile value added services	**1%**	1% - 2%
Engineering works	**1%**	5%

(iv) Discount rates

The discount rates used as follows are pre-tax and reflect specific risks relating to the relevant segments.

	Group	
	2016	**2015**
Computer software development, sales and support	**Nil**	9.09%
Mailing and document processing services	**11.10%**	9.09%
Mobile value added services	**9.09%**	9.09%
Engineering works	**9.09%**	9.09%

14. Intangible assets (cont'd.)

(a) Value in use (cont'd.)

Sensitivity to changes in assumptions

A reduction of 2% in the long term growth rate or a rise of 2% in the discount rate for the CGU of mailing and document processing services would result in impairment of goodwill. For CGU of mobile value added services, a rise of 3% in the discount rate would result in impairment of goodwill.

For 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 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 this CGU.

15. Investments in subsidiaries

	Company	
	2016	**2015**
	RM'000	**RM'000**
Unquoted ordinary shares, at cost	**59,258**	56,758
Redeemable convertible preference shares of RM1.00 each	**2,140**	2,140
	61,398	58,898
Less: Accumulated impairment losses	**(11,015)**	(11,015)
	50,383	47,883

15. Investments in subsidiaries (cont'd.)

Details of the subsidiaries are as follow:

Name	Country of incorporation	Principal activities	Effective equity interest (%) 2016	2015
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 E*Business Solutions Sdn. Bhd.	Malaysia	Provision of research and development in developing, installing and supporting software for small and medium sized industries.	**100**	100
HeiTech Defence System Sdn. Bhd.	Malaysia	Provision for information and communication technology products and services for the defence industry.	**100**	100
HeiTech Health Solutions Sdn. Bhd.	Malaysia	Provision for information and communication technology products and services for the health industry.	**100**	100

15. Investments in subsidiaries (cont'd.)

Details of the subsidiaries are as follow (cont'd.):

Name	Country of incorporation	Principal activities	Effective equity interest (%) 2016	2015
Held by the Company (cont'd.):				
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	Software development, consultancy services and related marketing.	**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

15. Investments in subsidiaries (cont'd.)

Details of the subsidiaries are as follow (cont'd.):

Name	Country of incorporation	Principal activities	Effective equity interest (%) 2016	2015
Held through a subsidiary, Inter-City MPC (M) Sdn. Bhd				
Pro Office Solutions Sdn. Bhd.	Malaysia	Provision of mail processing and its related services.	**100**	100
PT. Intercity Kerlipan ^	Indonesia	Provision of mail processing and its related services.	**70**	70

^ Audited by firms other than Hanafiah Raslan & Mohamad.

(a) Acquisition of a subsidiary in 2015

The Group acquired 51% equity interest in Duta Technic Sdn. Bhd. on 14 August 2015. The fair value of the identifiable assets and liabilities of Duta Technic Sdn. Bhd. as at the date of acquisition were as follows:

	RM'000
Plant and equipment	102
Trade and other receivables	8,815
Cash and bank balances	4,457
Trade and other payables	(9,145)
Total identifiable net assets at fair value	4,229
Non-controlling interest	(2,072)
Goodwill arising on acquisition	2,843
Purchase consideration	5,000
Net cash acquired with the subsidiary	4,457
Cash paid	(5,000)
Net cash flow on acquisition	(543)

The net assets recognised in the 31 December 2015 financial statements were based on a provisional assessment of their fair value while the Group carries out valuations of the assets owned by Duta Technic Sdn. Bhd. The valuation had not been completed by the date the 2015 financial statements were approved for issue by the Board of Directors.

In 2016, the valuation was completed and the acquisition date fair value of the identifiable net assets was RM4,602,000, an increase of RM373,000 over the provisional value. As a result, there was an increase of RM373,000 in secured contract under intangible assets and a corresponding reduction in goodwill of RM373,000, resulting in RM2,470,000 of total goodwill arising on acquisition. The 2015 comparative information was restated to reflect the adjustments to the provisional amounts, as disclosed in Note 14.

15. Investments in subsidiaries (cont'd.)

(b) Material partly-owned subsidiary

Financial information of the subsidiaries that have material non-controlling interests ("NCI") are provided below:

	2016		2015	
	Motordata Research Consortium Sdn. Bhd.	Duta Technic Sdn. Bhd.	Motordata Research Consortium Sdn. Bhd.	Duta Technic Sdn. Bhd.
	RM'000	RM'000	RM'000	RM'000
NCI percentage of ownership interest and voting interest	**40%**	**49%**	40%	49%
Carrying amount of NCI	**2,225**	**3,595**	1,860	3,057
Profit allocated to NCI	**365**	**538**	229	245

The summarised financial information before inter-company eliminations are as follows:

	2016		2015	
	Motordata Research Consortium Sdn. Bhd.	Duta Technic Sdn. Bhd.	Motordata Research Consortium Sdn. Bhd.	Duta Technic Sdn. Bhd.
	RM'000	RM'000	RM'000	RM'000
Assets and liabilities				
Current assets	**7,975**	**19,700**	6,582	19,723
Non-current assets	**879**	**40**	578	28
Current liabilities	**(3,291)**	**(12,583)**	(2,509)	(13,513)
Non-current liability	**-**	**(8)**	-	-
Equity	**5,563**	**7,149**	4,651	6,238
Revenue	**5,673**	**20,673**	5,100	7,055
Profit for the year, representing total comprehensive income	**912**	**1,283**	572	501
Cashflows from/(used in):				
Operating activities	**2,338**	**(1,556)**	2,316	288
Investing activities	**(433)**	**(26)**	(429)	(25)
Net increase/(decrease) in cash and cash equivalents	**1,905**	**(1,582)**	1,887	263

16. Investments in associates

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	**3,075**	3,075	**2,900**	2,900
Addition	**1,800**	-	**1,800**	-
Share of post-acquisition reserves	**4,420**	3,895	**-**	-
	9,295	6,970	**4,700**	2,900
Less: Accumulated impairment losses	**(4,875)**	(3,075)	**(4,700)**	(2,900)
	4,420	3,895	**-**	-

Name	Country of incorporation	Principal activities	Effective equity interest (%) 2016	Effective equity interest (%) 2015
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
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 & Mohamad.

16. Investments in associates (cont'd.)

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2016		2015	
	Vantage Point Consulting Sdn. Bhd.	E-Komoditi Sdn. Bhd.	Vantage Point Consulting Sdn. Bhd.	E-Komoditi Sdn. Bhd.
	RM'000	RM'000	RM'000	RM'000
Assets and liabilities				
Current assets	**27,802**	**9,139**	30,100	7,631
Non-current assets	**1,902**	**2,567**	1,247	611
Current liabilities	**(13,158)**	**(10,586)**	(10,720)	(9,646)
Non-current liabilities	**(578)**	**-**	(4,278)	(95)
Equity	**15,968**	**1,120**	16,349	(1,499)
Group's carrying amount of the investment	**4,186**	**234**	3,894	-
Revenue	**18,159**	**7,527**	31,463	7,521
Other income	**326**	**16**	273	86
Administrative expenses	**(16,683)**	**(6,958)**	(30,737)	(9,414)
Finance costs	**(455)**	**-**	(308)	-
Profit/(loss) before tax	**1,347**	**585**	691	(1,807)
Income tax expense	**(339)**	**-**	(110)	-
Profit/(loss) for the year	**1,008**	**585**	581	(1,807)
Total comprehensive income/(loss) for the year	**1,008**	**585**	581	(1,807)
Group's share of profit/(loss) for the year	**292**	**234**	179	(374)

17. Available-for-sale financial assets

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets:				
Equity instruments (unquoted), at cost	**2,914**	4,381	2,751	3,717
Movement in available-for-sale-in financial assets is as follows:				
At 1 January	**4,381**	6,812	**3,717**	6,148
Impairment loss	**(1,467)**	(2,431)	**(966)**	(2,431)
At 31 December	**2,914**	4,381	**2,751**	3,717

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	
	2016	2015
	RM'000	RM'000
Current		
Lease receivable (Note 22)	**23,530**	31,989
Non-current		
Lease receivable	**37,003**	40,249
	60,533	72,238

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% (2015: 7.5%) has been utilised.

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:

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
Total minimum lease receivable	**174,314**	186,019
Less: Amount representing unwinding discount	**(113,781)**	(113,781)
Present value of minimum lease receivable	**60,533**	72,238
Present value of receivables:		
Not later than 1 year	**23,530**	31,989
Later than 1 year but not later than 2 years	**23,372**	23,530
Later than 2 years but not later than 5 years	**13,631**	16,719
Present value of minimum lease receivable	**60,533**	72,238
Less: Amount due within 12 months	**(23,530)**	(31,989)
Amount due after 12 months	**37,003**	40,249

19. Deferred taxation

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	**1,434**	833	**-**	-
Recognised in profit or loss (Note 10)	**(698)**	436	**-**	-
At 31 December	**736**	1,269	**-**	-
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	**786**	1,314	**795**	914
Deferred tax assets	**(50)**	(45)	**(795)**	(914)
	736	1,269	**-**	-

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	Unabsorbed capital allowances	Capital allowance and depreciation differences	Other taxable/ (deductible) temporary differences	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015	(734)	(180)	1,192	720	998
Recognised in profit or loss	-	-	436	-	436
At 31 December 2015 and 1 January 2016	(734)	(180)	1,628	720	1,434
Recognised in profit or loss	422	(359)	144	(905)	(698)
At 31 December 2016	(312)	(539)	1,772	(185)	736

Deferred tax (assets)/liabilities of the Company:

	Unrecognised tax losses	Unabsorbed capital allowances	Capital allowance and depreciation differences	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2015	-	-	-	-
Recognised in profit or loss	(733)	(180)	913	-
At 31 December 2015 and 1 January 2016	(733)	(180)	913	-
Recognised in profit or loss	477	(359)	(118)	-
At 31 December 2016	(256)	(539)	795	-

19. Deferred taxation (cont'd.)

Deferred tax assets of the Group and of the Company have not been recognised in respect of the following items:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unabsorbed capital allowances	**633**	-	**633**	-
Unrecognised tax losses	**9,559**	21,939	**884**	-
Other temporary differences	**-**	1,527	**-**	-
	10,192	23,466	**1,517**	-

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.

20. Inventories

	Group	
	2016	**2015**
	RM'000	**RM'000**
Cost		
Consumables	**1,059**	819

During the financial year, the amounts of inventories recognised as expense in bulk mailing processing charges of the Group were RM7,701,000 (2015: RM10,203,000).

21. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Third parties	**164,636**	158,638	**145,230**	132,452
Amounts due from subsidiaries	**-**	-	**36,415**	41,326
Amounts due from associates	**-**	176	**-**	176
	164,636	158,814	**181,645**	173,954
Less: Allowance for impairment				
- Third parties	**(25,002)**	(27,245)	**(20,148)**	(18,450)
- Amounts due from subsidiaries	**-**	-	**(7,435)**	(7,476)
- Amounts due from associates	**-**	(601)	**-**	(601)
	139,634	130,968	**154,062**	147,427
Other receivables				
Deposits	**2,245**	2,747	**1,559**	2,102
Prepayments	**914**	-	**-**	-
Sundry receivables	**23,244**	26,050	**25,977**	26,594
	26,403	28,797	**27,536**	28,696
Less: Allowance for impairment				
- Sundry receivables	**(25,542)**	(22,171)	**(25,087)**	(21,545)
	861	6,626	**2,449**	7,151
Total trade and other receivables	**140,495**	137,594	**156,511**	154,578
Add: Cash and bank balances (Note 24)	**81,591**	83,095	**61,483**	55,927
Less: Prepayments	**(914)**	-	**-**	-
Total loans and receivables	**221,172**	220,689	**217,994**	210,505

21. Trade and other receivables (cont'd.)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days (2015: 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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Neither past due nor impaired	**53,132**	44,542	**70,775**	72,626
1 to 30 days past due not impaired	**33,290**	11,581	**31,482**	8,279
31 to 60 days past due not impaired	**2,608**	8,936	**2,180**	7,752
More than 61 days past due not impaired	**50,604**	65,909	**49,625**	58,770
	86,502	86,426	**83,287**	74,801
Impaired	**25,002**	27,846	**27,583**	26,527
	164,636	158,814	**181,645**	173,954

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 RM86,502,000 (2015: RM86,426,000) and RM83,287,000 (2015: RM74,801,000) 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.

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Trade receivables - nominal amounts	**25,002**	27,846	**27,583**	26,527
Less: Allowance for doubtful debts	**(25,002)**	(27,846)	**(27,583)**	(26,527)
	-	-	**-**	-
Movement in allowance accounts:				
At 1 January	**27,846**	24,171	**26,527**	18,595
Charge for the year (Note 9)	**6,072**	3,875	**4,722**	8,094
Write off	**(4,472)**	-	**(595)**	-
Reversal of impairment loss (Note 9)	**(4,444)**	(200)	**(3,071)**	(162)
At 31 December	**(25,002)**	27,846	**27,583**	26,527

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.

21. Trade and other receivables (cont'd.)

(c) 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:

	Individually impaired			
	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Sundry receivables - nominal amounts	**25,542**	22,171	**25,087**	21,545
Less: Allowance for impairment	**(25,542)**	(22,171)	**(25,087)**	(21,545)
	-	-	**-**	-

Movement in allowance accounts:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	**22,171**	20,860	**21,545**	20,091
Charge for the year (Note 9)	**3,542**	2,110	**3,542**	2,110
Write off	**(171)**	-	**-**	-
Reversal of impairment loss (Note 9)	**-**	(799)	**-**	(656)
At 31 December	**25,542**	22,171	**25,087**	21,545

22. Other current assets

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Due from customers on contracts (Note 23)	**81,697**	54,824	**71,132**	53,952
Lease receivable (Note 18)	**23,530**	31,989	**23,530**	31,989
	105,227	86,813	**94,662**	85,941

23. Due from/(to) customers on contracts

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amounts due from customers on contracts (Note 22)	**81,697**	54,824	**71,132**	53,952
Amounts due to customers on contracts	**(1,554)**	-	**(1,554)**	-
	80,143	54,824	**69,578**	53,952
Contract costs incurred to date	**107,062**	400,477	**84,218**	399,605
Attributable profits	**13,031**	54,733	**1,226**	54,733
	120,093	455,210	**85,444**	454,338
Less: Progress billings	**(39,950)**	(400,386)	**(15,866)**	(400,386)
	80,143	54,824	**69,578**	53,952

Amounts of contract revenue and contract costs recognised in the financial year are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Contract revenue	**35,145**	55,649	**14,969**	48,594
Contract costs incurred during the year	**29,351**	23,505	**13,744**	22,633

The contract revenue and contract costs are derived from revenue from long-term contracts.

24. Cash and bank balances

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash at banks and in hand	**23,026**	19,428	**12,744**	6,747
Deposits with licensed banks	**58,565**	63,667	**48,739**	49,180
Cash and bank balances	**81,591**	83,095	**61,483**	55,927

Deposits with licensed banks of the Group and of the Company amounting to RM52,345,000 (2015: RM64,097,000) and RM48,739,000 (2015: RM49,180,000) 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 2016 for the Group and the Company was 3.20% (2015: 2.32%) per annum and 2.91% (2015: 2.32%) per annum respectively. The average days to maturity period as at 31 December 2016 for the Group and the Company was 80 days (2015: 75 days) and 121 days (2015: 85 days) respectively.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	**81,591**	83,095	**61,483**	55,927
Less: Bank overdrafts (Note 25)	**(34,062)**	(47,867)	**(34,061)**	(47,061)
	47,529	35,228	**27,422**	8,866
Deposits with licensed banks with maturity more than 3 months	**(3,114)**	-	**-**	-
Deposits pledged as securities for bank borrowings	**(52,345)**	(64,097)	**(48,739)**	(49,180)
Cash and cash equivalents	**(7,930)**	(28,869)	**(21,317)**	(40,314)

25. Loans and borrowings

		Group		Company	
	Maturity	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Current					
Secured:					
Term loans	2017	**17,502**	13,415	**16,944**	13,415
Bank overdrafts	On demand	**34,062**	47,867	**34,061**	47,061
Revolving credits	2017	**85,078**	58,143	**85,079**	58,143
Obligations under finance leases (Note 30(c))	2017	**326**	270	**102**	-
		136,968	119,695	**136,186**	118,619
Non-current					
Secured:					
Term loans	2018 - 2020	**32,748**	51,739	**27,204**	44,840
Obligations under finance leases (Note 30(c))	2018 - 2021	**474**	514	**379**	-
		33,222	52,253	**27,583**	44,840
Total loans and borrowings		**170,190**	171,948	**163,769**	163,459

The remaining maturities of the loans and borrowings as at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Maturity of loans and borrowings:				
Within one year	**136,968**	119,695	**136,186**	118,619
More than 1 year and less than 2 years	**15,863**	37,025	**14,925**	29,635
More than 2 years and less than 5 years	**17,359**	15,228	**12,658**	15,205
	170,190	171,948	**163,769**	163,459

25. Loans and borrowings (cont'd.)

Term loans

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Term loan 1	a	**42,021**	53,917	**42,021**	53,917
Term loan 2	b	**2,127**	4,361	**2,127**	4,338
Term loan 3	c	**6,102**	6,876	**-**	-
		50,250	65,154	**44,148**	58,255

(a) Term loan 1 is drawndown 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 drawndown 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 drawndown 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 6.07% (2015: 6.06%) per annum. The repayment of the Group's term loans are due from 2012 to 2020.

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 7.49% (2015: 7.59%) per annum.

Revolving credits

Revolving credits are secured by negative pledge on all present and future unencumbered assets of the Company. The weighted average effective interest rate of revolving credits was 5.56% (2015: 6.24%) per annum.

26. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Third parties	**59,389**	70,312	**55,243**	53,717
Amount due to subsidiaries	**-**	-	**51,109**	50,598
Amount due to an associate	**903**	-	**903**	-
	60,292	70,312	**107,255**	104,315
Other payables				
Amount due to directors of a subsidiary	**5,775**	4,882	**-**	-
Amount due to a related party	**1,000**	-	**1,000**	-
Deposits	**1,354**	1,359	**1,354**	1,359
Accruals	**13,309**	10,590	**12,056**	9,011
Sundry payables	**25,749**	26,755	**12,664**	17,999
	47,187	43,586	**27,074**	28,369
Total trade and other payables	**107,479**	113,898	**134,329**	132,684
Add: Loans and borrowings (Note 25)	**170,190**	171,948	**163,769**	163,459
Total financial liabilities carried at amortised cost	**277,669**	285,846	**298,098**	296,143

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2015: 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.

27. Share capital and share premium

	Group and Company			
	Number of ordinary shares of RM1 each		Amount	
	2016	2015	2016	2015
	'000	'000	RM'000	RM'000
Authorised:				
At 1 January/31 December	**200,000**	200,000	**200,000**	200,000

	Group and Company			
	Number of ordinary shares of RM1 each	Amount		
	Share capital (Issued and fully paid)	Share capital (Issued and fully paid)	Share premium	Total share capital and share premium
	RM'000	RM'000	RM'000	RM'000
At 1 January 2015, 1 January 2016, 31 December 2015 and 31 December 2016	101,225	101,225	16,526	117,751

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.

28. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2016 and 31 December 2015 under the single-tier system.

29. Foreign currency translation reserve

	2016	2015
	RM'000	RM'000
Group		
At 1 January	**(1,636)**	(3,576)
Other comprehensive income:		
Foreign currency translation	**2,299**	1,940
At 31 December	**663**	(1,636)

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:

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
Capital expenditure		
Approved and contracted for: Property, plant and equipment	**2,786**	141
Approved but not contracted for: Property, plant and equipment	**52**	52

(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	
	2016	**2015**
	RM'000	**RM'000**
Future minimum lease payments:		
Not later than 1 year	**4,680**	4,680
Later than 1 year and not later than 5 years	**4,290**	8,970
	8,970	13,650

30. Commitments and contingencies (cont'd.)

(c) Finance lease commitments

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Minimum lease payments:				
Within 1 year	**347**	270	**123**	-
More than 1 year and not less than 2 years	**218**	347	**123**	-
More than 2 years and less than 5 years	**287**	167	**287**	-
Total minimum lease payments	**852**	784	**533**	-
Less: Future finance charges	**(52)**	-	**(52)**	-
Present value of hire purchase liabilities	**800**	784	**481**	-
Analysis of present value of finance lease liabilities:				
Within 1 year	**326**	270	**102**	-
More than 1 year and not less than 2 years	**203**	347	**107**	-
More than 2 years and less than 5 years	**271**	167	**272**	-
	800	784	**481**	-
Less: Amount due within 12 months	**(326)**	(270)	**(102)**	-
Amount due after 12 months	**474**	514	**379**	-

The Group has entered into hire purchase agreements for motor vehicles and equipment as has disclosed in Note 13. The hire purchase payable bore effective interest rate of 2.51% (2015: 3.15%) per annum.

(d) Financial guarantee

	Company	
	2016	**2015**
	RM'000	**RM'000**
Unsecured:		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	**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.

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:

	2016 RM'000	2015 RM'000
Group		
Services provided to Permodalan Nasional Berhad (PNB), a corporate shareholder of the Company:		
- Network related services	**(7,430)**	(6,170)
Services provided to Amanah Saham Nasional Berhad, a fund manager of PNB	**(22,942)**	(20,729)
Rental income of office space by PNB	**(702)**	(649)
Rental expenses of building to PNB	**4,979**	4,911
Company		
Cost of services rendered by subsidiaries	**268,339**	219,583
Rental expenses of building to PNB	**4,979**	4,911
Dividend income received from a subsidiary	**(14,040)**	-
Rental income of equipments by subsidiaries	**(6,136)**	(6,710)
Rental income of office space by PNB	**(702)**	(649)
Office rental receivable from a subsidiary	**(270)**	(193)

The Directors are of the opinion that the above transactions are in the normal course of business and at terms mutually agreed between parties.

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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term employee benefits	**2,717**	2,709	**2,540**	2,495
Defined contribution plan	**136**	131	**136**	131
	2,853	2,840	**2,676**	2,626

Included in the total key management personnel is:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration (Note 7)	**1,342**	1,496	**1,165**	1,282

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.

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 67% (2015: 64%) 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.

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
Group			
31 December 2016			
Financial liabilities:			
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**
31 December 2015			
Financial liabilities:			
Trade and other payables (Note 26)	113,898	-	113,898
Loans and borrowings (Note 25)	119,695	52,253	171,948
Total undiscounted financial liabilities	233,593	52,253	285,846
Company			
31 December 2016			
Financial liabilities:			
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**
31 December 2015			
Financial liabilities:			
Trade and other payables (Note 26)	132,684	-	132,684
Loans and borrowings (Note 25)	118,619	44,840	163,459
Total undiscounted financial liabilities	251,303	44,840	296,143

32. Financial risk management objectives and policies (cont'd.)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and 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 RM116,000 (2015: RM148,000) 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.

(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

	Note	Group Carrying amount RM'000	Group Fair value Level 2 RM'000	Company Carrying amount RM'000	Company 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**
2015					
Financial asset					
Available-for-sale financial assets (non-current)					
- Unquoted shares, at costs	17	4,381	*	3,717	*
Financial liability					
Loans and borrowings (non-current)					
- Term loans	25	51,739	45,060	44,840	38,897

* 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.

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 2016 and 31 December 2015.

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.

34. Capital management (cont'd.)

The gearing ratios as at 31 December 2016 and 31 December 2015 are as follows:

	Note	Group		Company	
		2016	**2015**	**2016**	**2015**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Loans and borrowings	25	**170,190**	171,948	**163,769**	163,459
Trade and other payables	26	**107,479**	113,898	**134,329**	132,684
Less: Cash and bank balances	24	**(81,591)**	(83,095)	**(61,483)**	(55,927)
Net debt		**196,078**	202,751	**236,615**	240,216
Equity attributable to owners of the parent, represents total capital		**171,275**	161,807	**143,243**	142,410
Capital and net debt		**367,353**	364,558	**379,858**	382,626
Gearing ratio		**53%**	56%	**62%**	63%

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.

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			
	2016		2015	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	**356,341**	**98%**	368,810	98%
Australia	**4,126**	**1%**	4,537	1%
Indonesia	**2,121**	**1%**	2,891	1%
	362,588	**100%**	376,238	100%

35. Segment information (cont'd.)

	Information Technology		Mailing and document processing services		Engineering works		Total segments		Adjustments and eliminations			Consolidated financial statements	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	Notes	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Revenue:													
External sales	**313,991**	335,690	**27,924**	33,493	**20,673**	7,055	**362,588**	376,238	**-**	-		**362,588**	376,238
Other income	**29,953**	12,772	**1,210**	2,089	**169**	-	**31,332**	14,861	**(20,589)**	(6,710)		**10,743**	8,151
Inter-segment	**268,339**	219,583	**-**	-	**-**	-	**268,339**	219,583	**(268,339)**	(219,583)	A	**-**	-
Total	**612,283**	568,045	**29,134**	35,582	**20,842**	7,055	**662,259**	610,682	**(288,928)**	(226,293)		**373,331**	384,389
Results:													
Finance costs	**(7,225)**	(8,529)	**(340)**	(721)	**-**	(78)	**(7,565)**	(9,328)	**-**	-		**(7,565)**	(9,328)
Interest income	**1,556**	1,090	**148**	163	**169**	-	**1,873**	1,253	**-**	-		**1,873**	1,253
Depreciation and amortisation	**(10,381)**	(10,604)	**(2,365)**	(2,350)	**(201)**	(19)	**(12,947)**	(12,973)	**-**	-		**(12,947)**	(12,973)
Other non-cash expenses	**(8,807)**	(8,069)	**417**	(179)	**(47)**	-	**(8,437)**	(8,248)	**(1,046)**	-	B	**(9,483)**	(8,248)
Share of results of associates	**-**	-	**-**	-	**-**	-	**-**	-	**526**	(195)		**526**	(195)
Profit before tax	**27,739**	(2,401)	**173**	316	**1,990**	668	**29,902**	(1,417)	**(15,853)**	3,848	C	**14,049**	2,431
Taxation												**(6,166)**	(1,219)
Profit for the year												**7,883**	1,212

35. **Segment information (cont'd.)**

	Information Technology		Mailing and document processing services		Engineering works		Total segments		Adjustments and eliminations		Notes	Consolidated financial statements	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015		2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Assets:													
Investment in associates	**4,420**	3,895	**-**	-	**-**	-	**4,420**	3,895	**-**	-		**4,420**	3,895
Additions to non- current assets	**5,793**	4,267	**398**	2,472	**26**	-	**6,217**	6,739	**-**	190	D	**6,217**	6,929
Segment assets	**522,846**	515,873	**48,638**	54,766	**19,740**	17,550	**591,224**	588,189	**(130,699)**	(132,933)	E	**460,525**	455,256
Liabilities:													
Segment liabilities	**344,164**	348,466	**14,014**	19,321	**12,591**	13,513	**370,769**	381,300	**(88,297)**	(93,995)	F	**282,472**	287,305

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	2016 RM'000	2015 RM'000
Impairment loss on goodwill	9	**1,046**	831
Impairment loss on available-for-sale financial assets	9	**1,467**	2,431
Impairment loss on investment in an associate	9	**1,800**	-
Impairment loss on trade and other receivables	9	**9,614**	5,985
Reversal of impairment loss on receivables	9	**(4,444)**	(999)
		9,483	8,248

C The following items are added to/(deducted from) segment profit to arrive at "profit before tax" presented in the consolidated statement of comprehensive income:

	2016 RM'000	2015 RM'000
(Income)/Expenses from intersegment	**(16,379)**	4,043
Share of results of associates	**526**	(195)
	(15,853)	3,848

D Additions to non-current assets consist of:

	2016 RM'000	2015 RM'000
Property, plant and equipment	**3,102**	4,705
Intangible assets	**3,115**	2,224
	6,217	6,929

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:

	2016 RM'000	2015 RM'000
Inter-segment assets	**(130,699)**	(132,933)

F The following item is deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2016 RM'000	2015 RM'000
Inter-segment liabilities	**(88,297)**	(93,995)

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 5 April 2017.

37. Supplementary information – breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings of the Company and its subsidiaries				
- Realised	**69,685**	64,548	**24,776**	24,659
- Unrealised	**(20)**	(1,301)	**716**	-
	69,665	63,247	**25,492**	24,659
Total share of retained earnings from associate				
- Realised	**4,420**	3,895	**-**	-
	74,085	67,142	**25,492**	24,659
Less: Consolidation adjustments	**(21,224)**	(21,450)	**-**	-
Retained earnings as per financial statements	**52,861**	45,692	**25,492**	24,659

LIST OF PROPERTIES

AS AT 31 DECEMBER 2016

Location	Description	Land/ Build-up Area	Current Usage	Land/ Tenure	Net Book Value as at 31.12.2016	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

DIRECTORS' SHAREHOLDING AS AT 28TH MARCH 2017

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	DATO' DR. MOHAMED ARIFFIN BIN ATON	-
7	SULAIMAN HEW BIN ABDULLAH	-
8	WAN AINOL ZILAN BINTI ABDUL RAHIM	-
	Total	**7,832,684**

SUBSTANTIAL SHAREHOLDERS AS AT 28TH MARCH 2017

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	27,879,500	27.542
	Total		58,209,500	57.504

ANALYSIS BY SIZE OF HOLDINGS AS AT 28TH MARCH 2017

SIZE OF SHAREHOLDINGS			NO OF SHAREHOLDERS/ DEPOSITORS	HOLDER PERCENTAGE	NO OF SHARES/ SECURITIES	HOLDING PERCENTAGE
1	-	99	250	8.947	10,143	0.010
100	-	1,000	429	15.354	300,405	0.296
1,001	-	10,000	1,600	57.265	6,277,884	6.201
10,001	-	100,000	447	15.998	13,787,690	13.620
100,001	-	5,061,264	66	2.362	22,639,678	22.365
5,061,265	and above		2	0.071	58,209,500	57.504
Total			**2,794**	**100**	**101,225,300**	**100**

THIRTY (30) LARGEST SHAREHOLDINGS AS AT 28TH MARCH 2017

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	27,879,500	27.542
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	1,700,300	1.679
5	MOHD HILMEY BIN MOHD TAIB	1,334,484	1.318
6	SAFIEE BIN MOHAMMAD	1,012,045	0.999
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH HUI PENG	970,000	0.958
8	PERBADANAN USAHAWAN NASIONAL BERHAD	894,889	0.884
9	WAN ZAIDI BIN WAN JAAFAR	500,795	0.494
10	NOR IZZAH BINTI ISMAIL	500,000	0.493
11	ONG HUNG HOCK	500,000	0.493
12	KAMSIAH BINTI ABU	360,190	0.355
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD WONG FOCK WAH	340,100	0.335
14	CHE NGAH BIN IBRAHIM	339,681	0.335
15	LIEW SWEE MIO @ LIEW HOI FOO	330,000	0.326
16	OOI CHENG AIK	327,000	0.323
17	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAFIDAH BINTI PAWANCHIK (SMT)	325,500	0.321
18	MOHD HILMEY BIN MOHD TAIB	320,000	0.316
19	IZANEE BIN ISMAIL	300,000	0.296
20	LEONG WAI HONG	292,100	0.288
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD KOO TAI PING @ KOH KIAN TEE	285,900	0.282
22	MANIMEGALAI A/P KOLANDAN	271,900	0.268
23	GOH SIANG GIANG	262,700	0.259
24	MARIAM BINTI HARON	252,405	0.249
25	ZULKEFLI BIN MOHD ZAIN	246,500	0.243
26	LIM YOON CHE	246,174	0.243
27	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHUA LEE PING	244,800	0.241
28	LEONG WAI HONG	238,000	0.235
29	LEE HUONG SING	207,200	0.204
30	HILARY FERNANDEZ	200,000	0.197
	Total	**75,477,563**	**74.563**

NOTICE OF ANNUAL GENERAL MEETING

INTRODUCTION

NOTICE IS HEREBY GIVEN THAT THE TWENTY SECOND (22ND) 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 TUESDAY, 20 JUNE 2017 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 2016 together with the Reports of Directors and Auditors thereon. **Please refer to Explanatory Note 1**

2. To approve a first and final single-tier dividend of 5.0 sen per share for the financial year ended 31 December 2016. **Resolution 1**

3. To re-elect the following Directors who are retiring by rotation in accordance with Article 82 of the Company's Articles of Association:-

   (i) YBhg. Dato' Sri Mohd Hilmey bin Mohd Taib **Resolution 2**
   (ii) Encik Sulaiman Hew bin Abdullah **Resolution 3**
   (iii) Puan Wan Ainol Zilan binti Abdul Rahim **Resolution 4**

4. To approve the payment of Directors' Fees for the financial year ended 31 December 2016. **Resolution 5**

5. To re-appoint Messrs. Hanafiah Raslan & Mohamad as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without modifications:-

6. **Continuing in Office as Independent Non-Executive Director**

   "THAT authority be and is hereby given to the following Directors who have served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company pursuant to the Malaysian Code on Corporate Governance 2012:-

   (i) YBhg Dato' Haji Ghazali bin Awang **Resolution 7**
   (ii) YBhg Dato' Mohd Fadzli bin Yusof **Resolution 8**
   (iii) YBhg Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor **Resolution 9**

7. **Proposed Authority to Issue Shares.** **Resolution 10**

   "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."

8. **Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** **Resolution 11**

"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 28 April 2017, with the related parties mentioned therein provided that the transactions are in the ordinary course of business and or 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."

9. To transact any other business of which due notice shall have been given in accordance with the Act.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of Shareholders at the 22nd Annual General Meeting to be held on 20 June 2017, a first and final single-tier dividend of 5.0 sen per share for the financial year ended 31 December 2016 will be paid on 15 September 2017 to Depositors whose names appear in the Record of Depositors on 21 August 2017.

A Depositor shall qualify for entitlement to the dividend only in respect of:

(a) Shares deposited into the Depositors' Securities Account before 4.00 pm on 21 August 2017 in respect of ordinary transfer; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

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
28 April 2017

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 be entitled to 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 14 June 2017 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 2016 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 6 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 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 reached cumulative nine (9) years term limit recommended by the MCCG 2012.

   In accordance with Recommendation 3.3 of the MCCG 2012, 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.

3. Item 7 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 21st Annual General Meeting held on 21 June 2016 and which will lapse at the conclusion of the 22nd Annual General Meeting to be held on 20 June 2017. A renewal of this mandate is sought at the 22nd AGM under proposed Ordinary Resolution 10.

   The proposed Ordinary Resolution 10 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.

4. Item 8 of the Agenda
   Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

   The Ordinary Resolution 11 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 11, please refer to Circular to Shareholders dated 28 April 2017 accompanying the Company's 2016 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 page 32 to 39 of the Annual Report and the details of the Directors' shareholdings in the Company, are set out on page 151 of the Annual Report.

ADMINISTRATIVE GUIDELINE AND NOTES

FOR HEITECH PADU BERHAD 22ND ANNUAL GENERAL MEETING

To valued shareholders,
Administrative guidelines and notes for HeiTech Padu Berhad 22nd Annual General Meeting ("AGM")

Date	:	**20 June 2017**
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 2016 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 Sunday, 18 June 2017 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 authorised 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**

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PROXY FORM

HeiTech®

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 ____

or 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 Second (22nd) 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 **Tuesday, 20 June 2017**, 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	Approval of a first and final single-tier dividend of 5.0 sen per share.		
Resolution 2	Re-election of Y.Bhg. Dato' Sri Mohd Hilmey bin Mohd Taib as Director.		
Resolution 3	Re-election of Encik Sulaiman Hew bin Abdullah as Director.		
Resolution 4	Re-election of Puan Wan Ainol Zilan binti Abdul Rahim as Director.		
Resolution 5	Approval of the payment of Directors' fees for the financial year ended 31 December 2016.		
Resolution 6	Re-appointment of Messrs. Hanafiah Raslan & Mohamad as the Company's Auditors and authority for Directors to fix the Auditors' remuneration.		
Resolution 7	Retention of YBhg. Dato' Haji Ghazali bin Awang as Independent Non-Executive Director.		
Resolution 8	Retention of YBhg. Dato' Mohd Fadzli bin Yusof as Independent Non-Executive Director.		
Resolution 9	Retention of YBhg. Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor as Independent Non-Executive Director.		
Resolution 10	Proposed authority for Directors to issue and allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016.		
Resolution 11	Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Dated this ____________ day of ____________ 2017

____
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 be entitled to 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 authorised.

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.

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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

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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

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