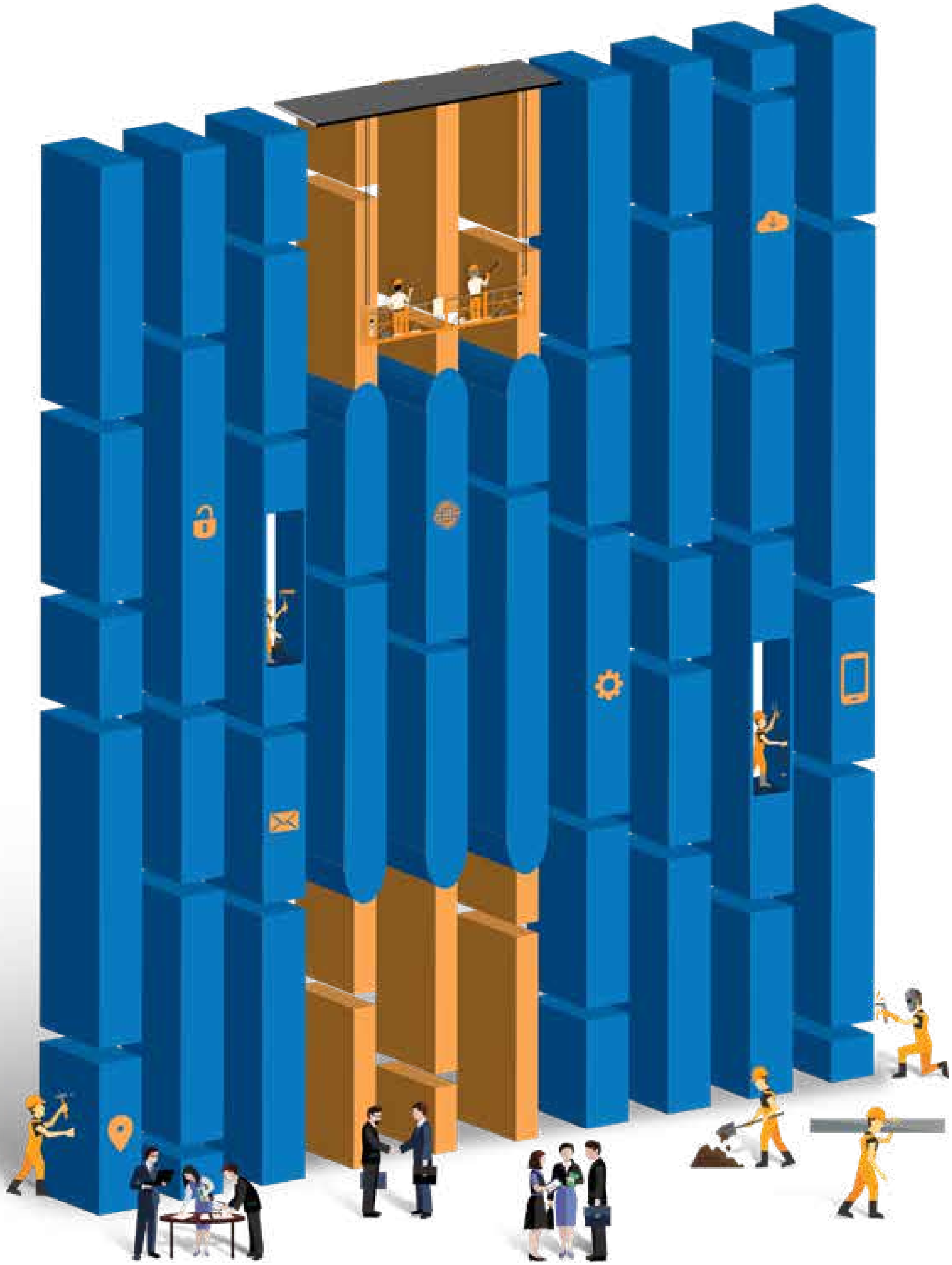
HeiTech Padu Berhad
(310628-D)



ANNUAL REPORT 2018

CORE VALUES

INTEGRITY		
• Accountability	• Trustworthy	• Fairness
DYNAMISM	**PASSION FOR EXCELLENCE**	**PEOPLE CENTRIC**
• Stay ahead • Professionalism • Versatility	• Service beyond expectation • Role model • Responsiveness	• Customer centric • Developing talent • Respect

VISION

THE TRUSTED TECHNOLOGY PARTNER TO ENABLE CUSTOMERS' VISION

MISSION

TOUCHING LIVES WITH INNOVATIVE SOLUTIONS

INSIDE THIS REPORT

Dynamism

- STAY AHEAD
- PROFESSIONALISM
- VERSATILITY

OUR BUSINESS OVERVIEW

- Company Overview
- Solutions & Services
- Corporate Information
- Group Structure
- Financial Calendar 2018
- Simplified Selected Five (5) Years Group Review
- Five (5) Years Group Performance Highlights
- Significant Events

COMPANY OVERVIEW

VISION

The trusted technology partner to enable customers' vision

MISSION

Touching lives with innovative solutions

We have touched the lives of Malaysian and citizens all over the world for more than 20 years!

A public listed company on the Main Board of Bursa Malaysia Securities Berhad, HeiTech Padu Berhad (BURSA MALAYSIA: HTPADU) is a global ICT systems and technology services provider for government agencies and commercial sectors.

We provide holistic, integrated, reliable and cutting-edge solutions covering the entire life cycle of systems, infrastructure and product development from systems integration and application development, managed data centre, managed network, managed security, cloud computing services, and other value-added technology related solutions and services.

Having local expertise with international calibre has enabled us to deliver mission-critical projects across the globe to our customers from various industries including national security, transportation, financial services, healthcare, and defence.

SOLUTIONS & SERVICES

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 customers' specific needs. We practise a three-pronged approach – formulating strategies that best answer the requirements of our customers, developing application systems, and finally, integrating systems of different platforms.

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

ICT INFRASTRUCTURE SOLUTIONS

- **MANAGED DATA CENTRE SERVICES (*i*-Sentrix)**

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

  The combination of experience and technical certifications such as Information Security Management System (ISO/IEC 27001:2013), Quality Management System (ISO/IEC 9001:2015) and Information Technology Service Management System (ISO/IEC 20000-1:2011) had enabled us to provide the high standard of service quality 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 Technical Services

- **MANAGED NETWORK SERVICES (Padu*Net)**

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

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

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

  Our set of network services consist of the following technologies:
  - Internet Protocol Virtual Private Network (IPVPN)
  - IP Broadband (DSL)
  - Metro Ethernet (Metro-E)
  - 3G/ 4G
  - VSAT
  - Leased Line
  - Wireless Leased Line
  - Branch in a Bag
  - Managed Wi-Fi as a Service

- **CLOUD COMPUTING SERVICES (AwanHeiTech)**

  We offer flexible cloud computing services, tailored to our customers' specific business requirement – from building a private cloud, hosting cloud infrastructure to managing shared cloud services. Our cloud computing services help to streamline customers' budget 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 a Service
  - Disaster Recovery as a Service
  - Data Protection as a Service
  - Desktop as a Service
  - Platform as a Service

- **MANAGED SECURITY SERVICES (Secure-X)**

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

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

  Our managed security services consist of:

  - Vulnerability Management
    - Vulnerability scanning
    - Application scanning
    - Security operations centre
    - Threat hunting
    - Forensic analysis
    - Security testing

  - Intelligent Threat Management
    - Web application firewall
    - Identity management
    - Endpoints security
    - Perimeter security
    - Server security

  - Compliance Management and Consultancy
    - Cybersecurity framework
    - Secure code review
    - Security standards assessment
    - Training and awareness
    - Security architecture design

SOLUTIONS & SERVICES

- **ICT MAINTENANCE & DEPLOYMENT (Pro*Services)**

  We offer ICT Maintenance and Deployment services nationwide, particularly to organisations that have multiple branches. Our dedicated on-site engineers provide 24x7x365 support to customers in attending to problems and rectifications. With the recent establishment of Universal Service Centre (USC) 2.0 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 subject matter experts in FSI with extensive knowledge and skills in unit trust, loan management, general ledger, customer information, deposit, payment and branch delivery.

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

  - Re.Con
    - Re.Con is a data reconciliation software that enables organisations to take control of their financial data by way of reconciling huge data from various sources. Re.Con allows online assignment of data management tasks to the employees to enhance operation effectiveness.
  - ezVERIFY
    - ezVERIFY is a security based product that offers two-factor authentication capability using password and biometric.
  - Device Service Server (DSS)
    - DSS is developed to make device integration and device sharing easier.
  - e-Connect
    - e-Connect is a middleware that provides "protocol-switching" between application that uses different network protocols, thus enabling interoperability among them.
  - Hybrid Client
    - Hybrid Client is a software development tool that enables fast development of a new front-end application of a branch delivery system.

SPECIFIC SOLUTIONS

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

NATIONAL SECURITY
- Passport Issuance
- Visa Issuance
- Border Management

HEALTHCARE
- Hospital Information System (HIS)
- GP Clinics Patient Management System
- Critical Care Information System (CCIS)
- Radiology Information System (RIS) Picture Archiving & Communication System (PAC)

DEFENCE
- Simulated Interactive Maintenance Aids
- Integrated Training & Tactical Command Control System

VALUE-ADDED BUSINESSES

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

OTHER E-GOVERNMENT RELATED SOLUTIONS
- Inter-Agency Link-Up System
- Pension Management System
- Hajj Management System
- Postal Management System

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

MOBILE APPLICATION AND SOLUTIONS
- myMMS
- mySMS
- myPAY
- myAPP
- 1GOV AppStore

ENGINEERING
- Construction of power station
- Engineering consulting services

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor
Chairman

Dato' Sri Mohd Hilmey Bin Mohd Taib
President/Executive Deputy Chairman

Dato' Mohd Fadzli Bin Yusof
Independent Non-Executive Director

Dato' Haji Ghazali Bin Awang
Independent Non-Executive Director

Datuk Mohd Radzif Bin Mohd Yunus
(Appointed w.e.f 21st September 2018)
Non-Independent Non-Executive Director

Sulaiman Hew Bin Abdullah
Independent Non-Executive Director

Wan Ainol Zilan Binti Abdul Rahim
Independent Non-Executive Director

Amizar Binti Mizuar
Non-Independent Non-Executive Director

Syed Agel Bin Syed Salim
(Resigned w.e.f 21st September 2018)
Non-Independent Non-Executive Director

Harris Bin Ismail
Executive Director

Audit 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

Wan Ainol Zilan Binti Abdul Rahim
Independent Non-Executive Director

Risk Management Committee

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

Sulaiman Hew Bin Abdullah
Independent Non-Executive Director

Amizar Binti Mizuar
Non-Independent Non-Executive Director

Nomination & Remuneration Committee

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

Sulaiman Hew Bin Abdullah
Independent Non-Executive Director

Datuk Mohd Radzif Bin Mohd Yunus
Non-Independent Non-Executive Director

Group Company Secretaries

Siti Shahwana Binti Abdul Hamid
MAICSA 7018383

Amir Zahini Bin Sahrim
MAICSA 7034464

Executive Management Council

Dato' Sri Mohd Hilmey Bin Mohd Taib
President/Executive Deputy Chairman

Harris Bin Ismail
Executive Director, and Head, Core 3

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

Salmi Nadia Binti Mohd Hilmey
Executive Vice President
Risk Management & Corporate Services, and Head, Core 2

Abdul Halim Bin Md Lassim
Executive Vice President and Chief Executive Officer Core 1

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

Dr. Nor Hazilawati Binti Awang
Chief Operating Officer, HeiTech *i*-Solutions Sdn Bhd and Chief Digital Officer, HeiTech Managed Services Sdn Bhd

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

GROUP STRUCTURE

SUBSIDIARIES

100%
HeiTech Managed Services Sdn Bhd

100%
HeiTech Next Sdn Bhd

100%
HeiTech *i*-Solutions Sdn Bhd

100%
PSG Data Sdn Bhd

100%
HeiTech Defence System Sdn Bhd

100%
Inter-City MPC (M) Sdn Bhd

100%
Cinix 1 Pty. Ltd.

100%
Pro-Office Solutions Sdn Bhd

80%
DAPAT Vista (M) Sdn Bhd

70%
P.T. Intercity Kerlipan

70%
HeiTech Eco Energy Sdn Bhd

60%
Motordata Research Consortium Sdn Bhd

51%
Duta Technic Sdn Bhd

51%
Uji Bestari Sdn Bhd

ASSOCIATE AND INVESTMENT

49%
InTech Solutions Pvt. Ltd.

40%
e-Komoditi Sdn Bhd

39%
Peladang HeiTech Sdn Bhd

29%
Vantage Point Consulting Sdn Bhd

20%
Silvertech Global Ltd.
(a subsidiary of Silvertech Global Sdn Bhd)

20%
NXSense Sdn Bhd

Notes:

- *The companies reflected above are active operating subsidiaries, associate and investment companies.*
- *Information is accurate as at 31 March 2019*

FINANCIAL CALENDAR 2018

ANNOUNCEMENT OF FINANCIAL RESULTS

28 FEB 2019

Quarterly report on consolidated results for the financial period ended 31/12/2018

29 NOV 2018

Quarterly report on consolidated results for the financial period ended 30/09/2018

30 AUG 2018

Quarterly report on consolidated results for the financial period ended 30/06/2018

31 MAY 2018

Quarterly report on consolidated results for the financial period ended 31/03/2018

SIMPLIFIED SELECTED FIVE (5) YEARS GROUP REVIEW

Revenue	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Network Services Fees	74,642	75,930	66,553	55,334	**51,367**
System Application and Development	185,381	85,717	63,270	69,746	**59,296**
Disaster Recovery and Facility Management Services	30,094	29,465	45,332	38,736	**40,443**
Maintenance of Hardware, Software and Application	116,484	122,188	117,144	137,688	**97,930**
Mailing and document processing services	33,587	31,409	25,516	22,241	**18,046**
Engineering works		7,055	20,673	80,725	**86,013**
Database management services	5,442	5,100	5,673	6,435	**6,528**
Software support and licence fees	4,722	4,537	4,126	4,117	**3,303**
Mobile value added services	6,394	7,259	5,774	4,751	**3,754**
Others	4,712	7,578	8,527	7,099	**12,766**
	461,459	**376,238**	**362,588**	**426,872**	**379,446**

Profitability	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
(Loss)/Profit Before Tax (RM'000)	(9,947)	2,431	14,049	(14,541)	**(36,431)**
(Loss)/Profit Before Tax Margin (%)	-2.2%	0.6%	3.9%	-3.4%	**-9.6%**
(Loss)/Profit After Taxation (RM'000)	(10,423)	1,212	7,883	(15,346)	**(36,786)**
(Loss)/Profit Attributable to Shareholders (RM'000)	(10,474)	934	7,169	(13,998)	**(27,064)**
(Loss)/Earnings per Share (RM)	-0.10*	0.0092*	0.0708*	-0.1383*	**-0.2674***

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

Assets Employed	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Total Assets (RM'000)	519,395	455,256	460,525	435,916	**313,562**
Non-Current Assets (RM'000)	173,034	143,148	131,159	103,474	**98,245**
Net Current Assets (RM'000)	56,054	78,370	80,902	73,846	**9,209**
Current Ratio	1.19	1.34	1.33	1.29	**1.04**
Gearing Ratio	57%	56%	53%	54%	**53%**
Debt/Equity Ratio (%)	2.18	1.77	1.62	1.78	**1.77**
Shareholders' Fund (RM'000)	160,958	161,807	171,275	151,222	**105,955**
Net Tangible Assets per Share (RM)	1.32+	1.30+	1.38+	1.27+	**0.95+**
Share Capital (RM'000)	101,225	101,225	101,225	117,751	**117,751**
Share Capital units ('000)	101,225	101,225	101,225	101,225	**101,225**

\+ Based on 101,225,000 ordinary shares

FIVE (5) YEARS GROUP PERFORMANCE HIGHLIGHTS

REVENUE (RM'000)

2018	**379,446**
2017	426,872
2016	362,588
2015	376,238
2014	461,459

TOTAL ASSETS (RM'000)

2018	**313,562**
2017	435,916
2016	460,525
2015	455,256
2014	519,395

SHAREHOLDERS' FUND (RM'000)

2018	**105,955**
2017	151,222
2016	171,275
2015	161,807
2014	160,998

(LOSS)/PROFIT BEFORE TAXATION (RM'000)

2018	**(36,431)**
2017	(14,541)
2016	14,049
2017	2,431
2016	(9,947)

(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS (RM'000)

2018	**(27,064)**
2017	(13,998)
2016	7,169
2015	934
2014	(10,474)

NET TANGIBLE ASSETS (RM'000)

2018	**95,800**
2017	128,774
2016	140,085
2015	131,131
2014	133,771

SIGNIFICANT EVENTS

MARCH 2018
Educational Visit from Kolej Yayasan Pahang

MAY 2018
Tazkirah Ramadan by Datuk Seri Dr Zulkifli Mohamad Al Bakri, Mufti Wilayah

JUNE 2018
Road Safety Programme with Prof Dato IR Mohammad Dalib, Director Automotive Engineering

MARCH 2018
Majlis Kecemerlangan Akademik Kelab Kakitangan HeiTech

JUNE 2018
HeiTech Cares Sahabat Jalanan

JUNE 2018
HeiTech Clinched the 2018 Frost & Sullivan Malaysia Excellence Award

APRIL 2018
HeiTech in Minggu Saham Amanah 2018

JUNE 2018
HeiTech Cares Memasak Bubur Lambuk

JULY 2018
BankTech Asia 2018

APRIL 2018
HeiTech Cares Mangrove Planting

JUNE 2018
HeiTech 23rd Annual General Meeting

JULY 2018
HeiTech Raya with Staffs

SIGNIFICANT EVENTS

JULY 2018
HeiTech Raya with Customer

NOVEMBER 2018
Educational Visit from Intra International College

JANUARY 2019
HeiTech Kick Off 2019

AUGUST 2018
HeiTech in SSM Biz Run 2018

NOVEMBER 2018
HeiTech 93rd Board of Directors Meeting

MARCH 2019
Blood Donation Drive

SEPTEMBER 2018
Migration Exercise for BSN Core Banking System

NOVEMBER 2018
HR Campaign “Lets Go Healthy”

MARCH 2019
MOU Signing Ceremony Between HeiTech and UNISZA

OCTOBER 2018
HeiTech in CyberSecurity Malaysia Awards, Conference and Exhibition CSM-ACE 2018

JANUARY 2019
Launch of HeiTech Venture Builder Programme

MARCH 2019
LIMA 2019

Passion for Excellence

- SERVICE BEYOND EXPECTATION
- ROLE MODEL
- RESPONSIVENESS

OUR STRATEGIC & OPERATIONAL REVIEW

- Message From Chairman
- President's Statement
- Management Discussion & Analysis
- Sustainability Statement

MESSAGE FROM CHAIRMAN

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

Chairman

DEAR VALUED SHAREHOLDERS,

First and foremost, it is such an honour for me to write as the new Chairman of HeiTech Padu Bhd (HeiTech). I would like to take this opportunity to extend my heartiest appreciation to my fellow Board members, especially Dato' Sri Mohd Hilmey who currently resumes his role as the President and Executive Deputy Chairman of HeiTech for having the trust and confidence in me to step up as the new Chairman of HeiTech. Nevertheless, with more than thirteen (13) years of experience as a member of the Board, I consider myself a no stranger to HeiTech. I humbly believe that I could contribute to the sucess and sustainability of the Company.

MESSAGE FROM CHAIRMAN

As the Chairman of HeiTech, my focus is to lead the Company into a platform that provides long-term stability and growth. Though it is easier said than done. But I am confidence that we can achieve this with the support from the Board of Directors that comprised of individuals with excellent credentials and experience. In addition, we have in place a Management team with sheer determination and focus to accomplish the mission and overcome challenges. It is my hope and intention that this combined line-up will strengthen HeiTech's position and drive the Company's performance in this challenging business landscape.

ECONOMY AND BUSINESS OUTLOOK

In 2019, Malaysia's economy is expected to grow by 4.9%, largely supported by domestic demand focusing on essential sectors such as socio-economic projects, education and the on-going public infrastructure projects. Nevertheless, the industry landscape has changed. With the rapid changes in technology and intense business competition, we foresee that HeiTech will face a challenging years ahead. We can feel that the time pressure is on, and the expectations are high from all sides – our customers, our investors, the regulators, and the media.

We believe that we need to be versatile and adaptable to the current changes, without compromising our services to the customers. The real challenge is to ensure that our solutions, talent and expertise are in line with the current needs. Therefore, a transformation programme has been initiated by the Group to prepare HeiTech in managing of the situation and remain relevant.

ACKNOWLEDGEMENTS

I would like to extend a warm welcome to Datuk Mohd Radzif bin Mohd Yunus and Puan Amizar binti Mizuar as the new Board member and nominees by PNB. The Board unanimously agree that both Datuk Radzif and Puan Amizar's leadership and vast experience in corporate sector have made them the right choice to assist the Board in charting the Company's strategic direction and objectives. 2018 also saw the retirement of our senior Director, Tuan Syed Agel bin Syed Salim. We thank Tuan Syed Agel for his contributions to the Company, through both good and challenging times and we wish him the best in his future endeavours.

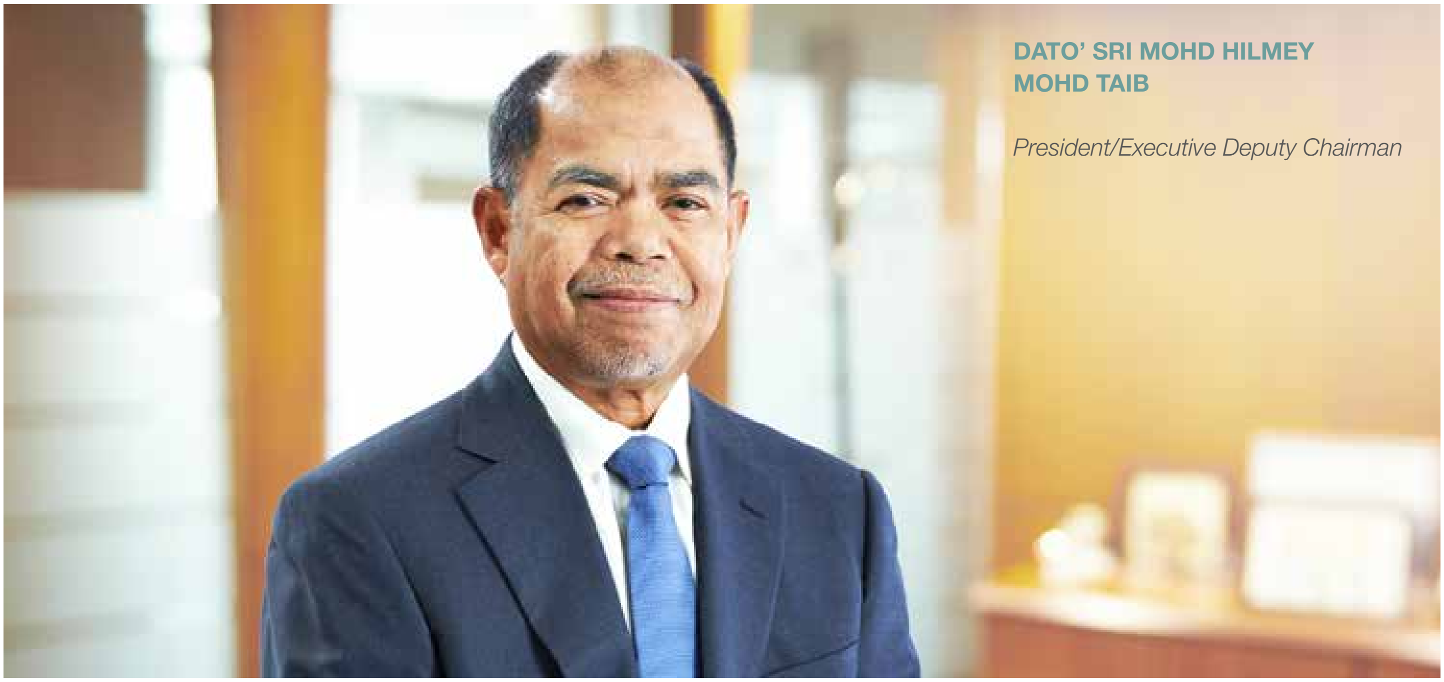
The Board also welcome Encik Harris bin Ismail who has been the Group Chief Executive Officer from 2011 to 2018 to be on the Board. With these new changes in the Board sitting of HeiTech, we believe that we shall move stronger into 2019.

On behalf of the Board, I would like to extend my appreciation and gratitude to all our shareholders, customers, business partners, financiers, the Government and regulatory authorities for their continued support to the Company. To my fellow Board members, thank you for your support and wise counsel and finally not forgetting the Management and Warga HeiTech for your commitment and selfless dedication towards the Company. I truly believe with your continuous faith and trust, we can drive HeiTech to a greater heights for many years to come.

THANK YOU.

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

PRESIDENT'S STATEMENT



DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of HeiTech, I hereby present the Annual Report of the Group and of the Company for the year ended 31 December 2018.

The year 2018 has ended in a way that was not favourable to many businesses, be it large or small alike. Global and local economic uncertainties have certainly give impact on businesses from operational issues of impairment, higher operating costs, reduction in revenue and margins to strategic issues of corporate manoeuvring. These uncertainties are expected to continue in 2019. Nevertheless, HeiTech is optimistic that ICT industry would still remain as an attractive sector with good opportunities. Newer technologies are always available and being demanded by users at organisational and individual level.

2018 PERFORMANCE

Amidst prudent spending by public and private sectors and stiffer competition due to market saturation, the Group still managed to record a revenue of RM379.4 million in 2018. Albeit lower by about RM47.4 million from 2017, the amount is still decent and within the range of the Group's revenue trend for the past 5 years.

Reduction in margin due to the rising costs of doing business is another challenge that requires constant and proactive measures. Although we have always strived to keep the costs at optimum level, this has certainly put significant pressure on the margins while trying to maintain quality services and deliverables to the customers.

Overall, the Group's total expenditures were lower by RM18.6 million from RM449.8 million in 2017 to RM431.2 million in 2018. The decrease was contributed by lower operating expenditures before depreciation, amortisation and impairment of RM394.5 million in 2018 as opposed to RM426.3 million in 2017. Depreciation and amortisation in 2018 was higher at RM19.2 million against RM12.7 million in 2017. Provision for impairment in 2018 was also higher than previous year. We need to consider additional factors like uncertainties and challenges at the macro and microeconomic level that required us to take a vigilant stand in assessing the recoverability of investments and assets owned by the Group. As a result, the Group has made an additional impairment of RM17.5 million in 2018, about RM6.7 million higher from RM10.8 million in 2017.

Consequently, the Group has posted higher net loss at RM36.8 million in 2018 against RM15.3 million in 2017. However, it is noteworthy to highlight that while the net loss was higher, the Group's earning before tax, depreciation and amortization, impairment, interest and taxation for 2018 was a positive RM11.6 million (2017:RM22.3 million), demonstrating resilience in facing an extremely tough business environment.

FUTURE OUTLOOK

On the outset, uncertainties in the global economics has made Malaysia relying on domestic demand to steer its economic growth. A steady growth in Malaysia's domestic economy is also important to support HeiTech's growth plan.

On the technology segment, it was reported that spending on IT products and services in Malaysia are forecasted to reach about RM65.2 billion in 2019, an increase of 4.6 percent from 2018 and will be one of the key spending driver in 2019.

MOVING FORWARD

Our focus is to put HeiTech back on its track while remaining true to our core values and purpose in becoming the trusted technology partner to our customers.

Our first step was to refresh our Vision and Mission, which we have uphold for the past 11 years. We believe that we have achieved our old vision of being a truly transformational technological company by helping the Government in transforming their services and delivery to the public from conventional into automated and technological driven processes.

Going forward, we are positioning ourselves to be part of our customers' business journey. Our new vision, to be "The Trusted Technology Partner to Enable Customers' Vision" affirms our commitment to assist our customers through their transformation process. Meanwhile, our new mission of "Touching Lives with Innovative Solutions" portrays our continuous effort to serve our customers with our in-house products, services and expertise.

We also realised that a sound strategy is needed in ensuring the effectiveness of this new focus. For a start, we have re-organised the companies under the Group into 3 cores. Each core is set to meet the Group's specific strategic business objectives.

The cores and their key strategies are simplified as follows;

Core 1

Strengthening of IT business and continuing to support the customers' business via innovative products, quality delivery and services

Core 2

Maximising return from investee companies

Core 3

Exploring for new business and opportunities

I believe with the 3-Core strategy, we will be able to focus on areas that we can improve and will enable us to respond more effectively to market demand, threat and potentials.

We have also introduced a Binary 1.0 programme which aimed to further develop our people to be more innovative, customer-focused, agile, and ready for the age of digitalisation.

In our bid to further strengthen the Group, we have made some changes at the Board level with the appointment of Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor as the new Chairman of HeiTech and the appointments of three (3) new directors.

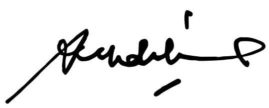
I myself will continue to serve the Company as the President and Executive Deputy Chairman and will work closely with the Board and Management team in putting HeiTech back on its track.

APPRECIATION

I want to take this opportunity to congratulate Tan Sri Dato' Sri Abi Musa Asa'ari on his appointment as the new Chairman of HeiTech. I believe with his decades of experience and strong leadership, he will be able to steer HeiTech back to its glory days.

Also, I would like to extend my sincerest gratitude to our shareholders, customers and business partners for their continuous support and trust, and thank my fellow Directors for their dedication and insights through the past years. The growth of the business would not be attained without the efforts from the Management team and the unwavering commitment of our Warga HeiTech. Therefore, I thank you for your perseverance and commitment towards the Company.

THANK YOU.



DATO' SRI MOHD HILMEY MOHD TAIB
President/Executive Deputy Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

GROUP OVERVIEW

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

We believe that our customers' success depends on sound technological support. Therefore, through understanding of their needs, innovative solutions and quality deliverables, we are dedicated in transforming their business processes into total and comprehensive information systems that enhance their efficiency and productivity. Our dedication is in becoming the trusted technology partner to our customers encompassing areas such as national security, transportation, financial services, healthcare, defense and retail.

Apart from IT, the Group also ventured into other areas such as mobile applications, engineering works and mailing and document processing activities as part of the diversification strategy.

SEGMENTAL OVERVIEW

In previous years, companies under the Group were clustered and reported based on the business offering of the respective company. Similar activities and risks profile were grouped together and reported as information technology, mailing and document processing services and engineering works segments respectively. However, the Group acknowledged that political, economic and sociological factors that are shaping the current industry and business landscape have impacted the decision making process by the management. In keeping up with these challenges, the Group has revised the way it clustered and segmentised these companies. They are now grouped to align with the strategic direction which are based on the Group's primary strength, diversified industries and innovations for future growth. As a result, the Group's segments are now reported as Core 1, Core 2 and Core 3.

CORE 1

Core 1 essentially consolidates HeiTech's brands in the information technology sector. As the principal business activities of the Group, Core 1 focused in serving the public and private sectors with the wide range of IT services and products. The two (2) main categories and their respective business activities under Core 1 are system integration and managed services.

i. System Integration

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

ii. Managed Services

Managed services consist of infrastructure solutions that include managed data center services, managed network and communications services, desktop management services, business continuity management, customer care/ helpdesk services and deployment services.

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.

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

Since 2012, while continuing to serve the public sector, HeiTech has embarked on diversifying its customers based towards the commercial, especially in the financial services and retailing sectors. Part of the strategies in reaching out to the private sectors are through Digitalisation of business processes (DX) as a catalyst towards enhancing the customers' experience (CX).

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

In 2018, HeiTech has been trusted by the nation's leading unit trust body to manage its IT services to its customers that include application, data center, disaster recovery, desktop management and helpdesk services.

CORE 2

Core 2 leverages on the multi-offerings and multi-industries of the companies within the Group. These offerings range from mailing and document processing services, engineering works for energy sector, automotive/insurance claims platform services and mobile applications.

CORE 3

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

CHALLENGES

CORE 1

System Integration

Among the major challenges impacting Malaysian industries were the downsizing of value and quantity of development projects. As an illustration, in Malaysia's 2019 National Budget, only RM54.7 billion or 17.4% from RM314.5 billion was allocated for development expenditure. This would affect the allocation and priority of national development requirements, among other with regards to requirements for public infrastructures, IT infrastructure and systems applications and developments.

The presence of more IT players in the market, has transformed the industry into stiffer competition and challenges. In order to remain relevant, competitive pricing strategy with attractive offerings are crucial in differentiating ourselves against the competitors. We 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

Network services

Being a non-telecommunication outfit providing network services is a great challenge as the playing field to compete against the telecommunication giants is ("telcos") less than levelled, right from the infrastructure, cost structure to price competitiveness. Furthermore, network services are a highly regulated industry that warrants strict adherence to rules and regulations.

The Group has infused creativity in the network product portfolios as a strategy to differentiate ourselves from the telcos. Understanding the customers' needs is a significant factor to stay relevant and to retain our customers amidst the constant threat and competition from the telcos.

MANAGEMENT DISCUSSION AND ANALYSIS

Data centre and disaster recovery services

Operating a data centre and disaster recovery facility is not a simple task. The main challenge is to keep up with customers' demands and requirements for a stable and reliable services and 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 exposure to any risk is adequately mitigated. As of to date, the Group has managed to deliver the services to the customes satisfactorily. This is corroborated by the certifications conferred by the relevant authority, together with accolades of accomplishment to the Group.

CORE 2

Customers in Core 2 are largely from the private sector. 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, in the mailing and document processing sector, the traditional printed statement has been transformed into digital format i.e. e-Statement using our own in-house i2s software.

Further, the Group has ventured into the development of payment gateways for public facing government agencies as part of the strategy to stay relevant in the mobile application industry. The Group has also invested in a new system to improve its response time to customers for its automotive parts database service sector.

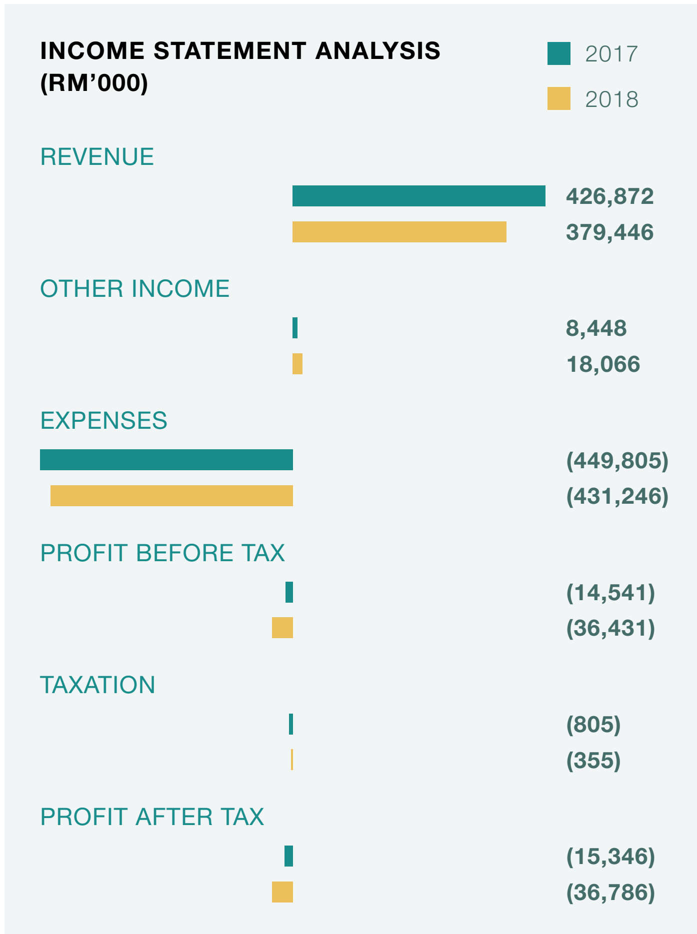
In engineering works sector, costs, competition and stern customer requirements are the key challenges that required to be addressed. Thus far, the Group has always strived to keep the costs and threat at bay by ensuring good project management and good rapport with the customers.

CORE 3

As the Group's wing that has been entrusted to explore new areas, Core 3 pipelines are geared towards consumers and concession-based initiatives. Among the key challenges faced by the Group under Core 3 are appropriateness of business model and level of partnership, monetization method and capital raising. Nevertheless, the Group is positive on the prospect from the initiatives that are currently being farmed.

FINANCIAL OVERVIEW

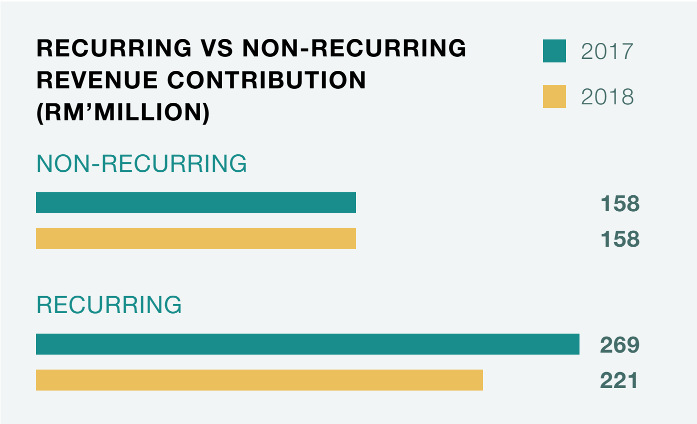
SUMMARY OF GROUP FINANCIAL PERFORMANCE



2018 has been another challenging year for HeiTech Group. The Group recorded a revenue of RM379.4 million for 2018, about RM47.4 million or 11% lower from 2017. Inherent factors like prudent spending by the public sector, escalation in costs, market saturation, stiffer competition and changes in technology have significantly affected the Group's result. Nevertheless, the Group remains perseverance in facing the challenges and is optimistic on the upcoming prospects.

MANAGEMENT DISCUSSION AND ANALYSIS

QUALITY OF REVENUE

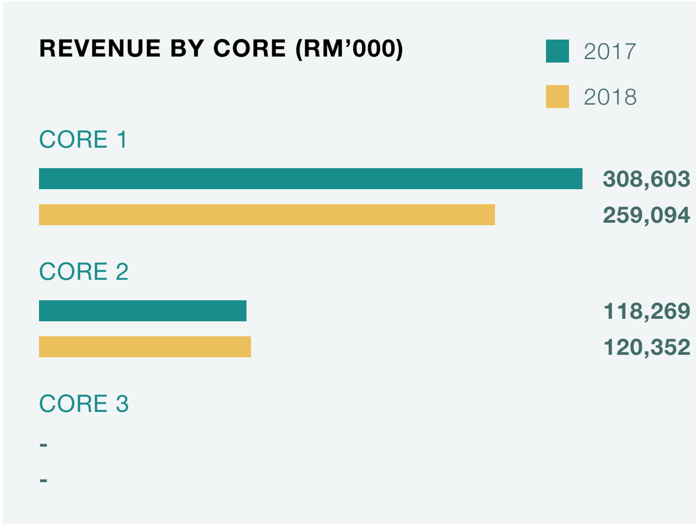


The quality of revenue is quantified by its recurring or non-recurring nature over a period of more than one year. In essence, it is an indicator for the sustainability of the Group to generate a stable return to the shareholders. An example of recurring revenue would be maintenance services for existing 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.

In 2018, the Group's recurring revenue stood at RM221 million, a drop by 18% from RM269.0 million in 2017. Meanwhile, non-recurring revenue remained level with prior year at RM158 million.

BREAKDOWN OF REVENUE BY SEGMENT



CORE 1

As the Group's core competency realms in technology based activities, Core 1 is the main contributor to the Group's revenue at RM259.1 million or 68% of the Group's total revenue in 2018 (2017: RM308.6 million or 72%). For the past few years, IT sector has been having a tough time especially from the threat of competition in the public sector market segment. Nonetheless, the Group has still managed to maintain its presence in the public sector while striving to expand its revenue from the private sector.

The breakdown of revenue from business activities under Core 1 is as follows:

	2018 RM'Million	% of contribution	2017 RM'Million	% of contribution
System integration:				
Maintenance services	98	38%	138	45%
System application and development	59	23%	70	23%
Sub total	**157**	**61%**	**208**	**67%**
Managed services:				
Network services	51	20%	55	18%
Disaster recovery and facility management	41	16%	39	13%
Others	10	4%	7	2%
Sub total	**102**	**39%**	**101**	**33%**
Total segment revenue	**259**		**309**	

MANAGEMENT DISCUSSION AND ANALYSIS

System Integration

Overall, system integration contributed RM157 million or 61% of the segment's revenue in 2018. Since the past five years, maintenance services have 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.

Maintenance services stood at RM98 million which represents 36% of the Group's revenue. System application development contributed RM59 million or 23% of the segment's revenue.

Managed Services

The two main revenue sources under managed services are network services and disaster recovery services. Revenue from network services in 2018 was lower by RM4 million from RM55 million in 2017 mainly due to stiff competition faced especially from the telecommunication companies. On the other hand, disaster recovery has recorded favourable upward trend following contracts secured with financial institutions.

CORE 2

	2018 (RM'000)	2017 (RM'000)
Engineering works	86,013	80,725
Mailing and document processing services	18,046	22,241
Database management services	6,528	6,435
Software support and licence fees	3,303	4,117
Mobile value added services	3,754	4,751
Others	2,708	-
Total	**120,352**	**118,269**

Business activities under Core 2 are diverse over different industries as stated in the table above. Overall, Core 2 contributed about RM120.4 million or 32% to the Group's revenue (2017: RM118.3 million or 28%).

Engineering works

The Group principally involved in the provision of engineering, procurement, construction and commissioning services. Currently, this sector is focusing its activities on construction of sub-stations for the energy industry.

Engineering works had posted improvement in the revenue for 2018 following near completion of most of its construction contracts during the year.

Mailing and document processing services

Mailing and document processing services sector contributed RM18.0 million to the overall Group revenue (2017: RM22.2 million). The slight reduction in revenue is mainly due to technological development and prudent spending by the customers. The rise of electronic, online statements versus the traditionally printed and mailed document have changed the customers' business requirements and costs structure. Nevertheless, the Group has always been pro-active in addressing the concern from this sector and has embarked on the strategy to also offer the electronic record management system to complement our current offerings with the industry and consumers' requirements.

Database management services for automotive industry

Database management for automotive industry revenue relatively constant as of last year at RM6.5 million. In a bid to boost the revenue base from this sector, the Group is embarking on training for automotive repair companies and employees.

Mobile application

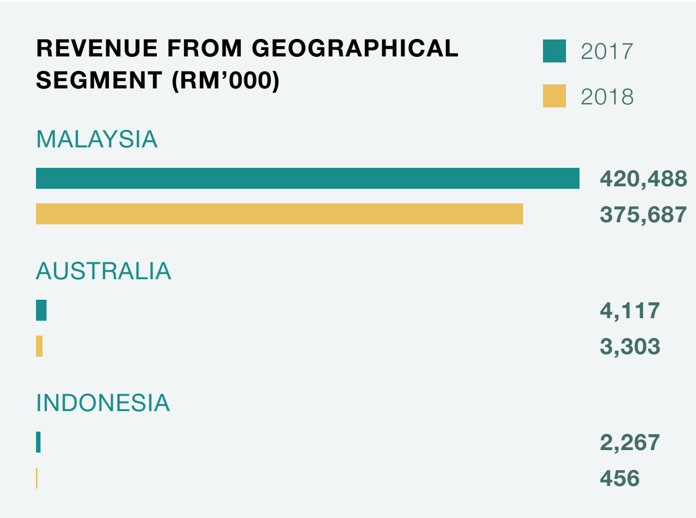
Mobile application recorded lower revenue on the back of reduction in traffic volumes for short messaging revenue. Availability of online and mobile applications from various providers has significantly affected this revenue stream. Nevertheless, the Group is in the midst of developing its own payment gateway in keeping up with the industry demand and would help to rejuvenate the performance of this sector.

Defence technology

This sector represents the niche market that relates to providing services and support to defence industry customers. The services currently covering land and air defence systems.

CORE 3

Core 3 has not registered any revenue at this juncture. As the exploration arm of the Group, Core 3 is eyeing its activities on consumer and concession based initiatives, especially within the transport sector via e-testing for driving licence.



The Group's geographical segment is reported through companies operated in Malaysia, Australia and Indonesia. At RM375.7 million (2017: RM420.5 million), Malaysia is the biggest contributor to the Group's results followed by Australia and Indonesia at RM3.3 million (2017: RM4.1 million) and RM0.5 million (2017: RM2.3 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.

The subsidiary in Australia is involved in providing the support software services for automotive repair industry while the Indonesian subsidiary is involved in document processing and mailing activities. Some reduction was also recorded in the contribution from overseas subsidiaries mainly due to stiff competition faced by these companies in their respective industry.

OPERATING EXPENSES

EXPENSES	2018 (RM'000)	2017 (RM'000)
Personnel expenses	85,389	100,579
Project related expenses	253,719	270,704
Depreciation & amortisation	19,215	12,678
Impairment	17,538	10,820
Administration expenses	44,142	41,721
Finance expenses	11,243	13,303
	431,246	**449,805**

Overall, HeiTech's total expenses has reduced by RM18.6 million or 5% from RM449.8 million in 2017 to RM431.2 million in 2018.

Personnel expenses accounted for 20% (2017: 22%) of the Group's total expenses. The Group's staff strength stood at 924 at the end of 2018 (2017: 930). Lower personnel expenses in 2018 albeit relatively the same number of resources with 2017 is mainly contributed to the departure of senior employees with high remunerations in 2018 due to retirement and resignation. Their replacements were hired with lower packages.

Project related expenses accounted for 59% of the Group's total operating expenses. The amount has reduced from RM270.7 million in 2017 to RM253.7 million in 2018 in tandem with the decrease in revenue.

Provision for impairment has increased by RM6.7 million in 2018. Breakdown on impairment is as follows:

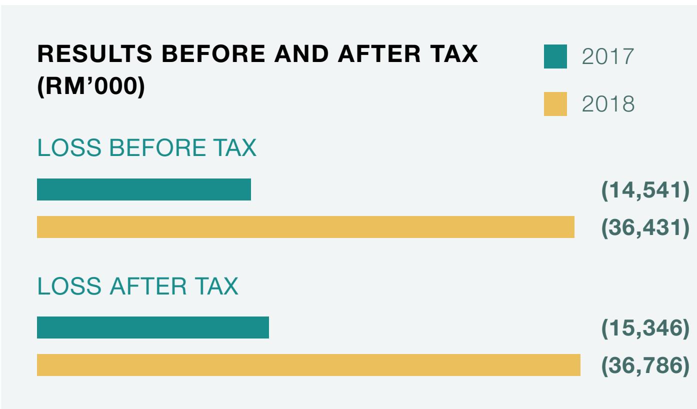
	2018 (RM'000)	2017 (RM'000)
Receivables	3,191	1,620
Investments and plant and equipment	791	-
Intangible assets	13,556	9,200
	17,538	**10,820**

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment on receivables were higher following the adoption of expected credit loss method under the new requirements on accounting standards in computing the recoverability of receivables. The method required for default rates to be allocated to each bucket of receivable aging as opposed to specific provision method used in prior years.

The Group has been very attentive in assessing the recoverability of investment and assets own by the Group. Due to further weakening of economic performance in some of the subsidiaries, the Group has made additional provision for impairment on investments, plant and equipment, goodwill and intangible assets in 2018.

Administration costs increased slightly by RM2.4 million amidst the Group effort in keeping the costs at bay. Meanwhile, finance costs had decreased by RM2.1 million in 2018. The reduction was mainly due to lower utilisation of banking facilities throughout 2018 as the Group mixed its working capital requirements with its internally generated funds.



The Group has recorded higher net loss at RM36.8 million in 2018 as opposed to RM15.3 million in 2017. Amidst the reduction of margins due tight customers budget and increase in operating costs, additional factors like uncertainty and challenges at the macro and microeconomic level require the Group to take a vigilant stand in making costs provisions for running projects and assessing the recoverability of investments and assets owned by the Group. These factors have significantly affected the Group's bottom line in 2018.

While the net loss suffered by the Group is higher in 2018, it is noteworthy to highlight that the Group's earning before tax, depreciation and amortization, impairment, interest and taxation (EBIITDA) is in positive situation of RM11.6 million (2017: RM22.3 million), demonstrating resilience in facing an extremely tough business environment.

	2018 (RM'000)	2017 (RM'000)
Earnings after tax, add back:	(36,786)	(15,346)
Depreciation & amortisation	19,215	12,678
Impairment	17,538	10,820
Interest	11,243	13,303
Taxation	355	805
	48,351	37,606
EBIITDA	**11,565**	**22,260**

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 2018 and 2017.

ASSETS EMPLOYED

	2018 ('000)	2017 ('000)
Non-current Assets (RM'000)	98,245	103,474
Current Assets (RM'000)	215,317	332,442
Total Assets (RM'000)	313,562	435,916
Net Current Assets (RM'000)	9,209	73,846
Shareholders' Fund (RM'000)	105,955	151,222
Share Capital (units)	101,225	101,225
Net Tangible Assets per Share (RM)	1.27	0.95

Total assets of the Group reduced by RM122.4 million or 28% in 2018. The reduction was mainly due to lower intangible assets balance at RM10.2 million in 2018 as opposed to RM22.4 million in 2017, attributed by amortsation and impairment of RM1.0 million and RM13.6 million respectively. Receivables and contract assets balances were also lower by RM91. 4 million at RM144.0 million in 2018 as opposed to RM235.4 million in 2017.

Reduction in the net currents assets is mainly due to lower balances in receivables and current liabilities. Current assets in 2018 stood at RM215.3 million against current liabilities of RM206.1 million, a net of RM9.2 million. Meanwhile, in 2017, current assets stood at RM332.4 million against current liabilities of RM258.6 million in 2017, a net of RM73.8 million.

The shareholders' fund has contracted from RM151.2 million in 2017 to RM106.0 million in 2018 following the loss recorded by the Group. Consequently, it translated into lower net tangible assets per share of RM0.95 per share in 2018 as opposed to RM1.27 per share in 2017.

LIABILITIES AND WORKING CAPITAL

	2018	2017
Payables (RM'000)	93,913	120,071
Borrowings (RM'000)	94,070	152,593
Gearing Ratio (%)	53%	54%
Current ratio	1.04	1.29

The Group always strived to keep the payables at reasonable level. The Group's total payables recorded a reduction from RM120.1 million in 2017 to RM93.9 million in 2018.

The Group's borrowings have reduced by RM58.5 million from RM152.6 million to RM94.1 million in 2018. The gearing ratio is slightly lower at 53% in 2018 against 54% in 2017. However, current ratio is slightly reduced from 1.29 times in 2017 to 1.04 times in 2018. However, the Group is still in favourable positions as its assets are still adequate to cover for its liabilities. The Group's financial obligations are also still contained under the equity limit.

Most of the time, the Group's business operations would require for financial commitments to be incurred upfront, especially when they relate to hardware and software scope. A 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.

FUTURE OUTLOOK

2019 OUTLOOK

It was reported that despite headwinds due to trade wars, volatility in commodity prices, uncertainties in the financial market and geopolitical tensions, the IMF still forecasted for the global GDP growth to expand by 3.7% in 2019. Meanwhile, the Malaysian economy is projected to grow by 4.9% in 2019, with services and manufacturing driving the expansion. The expansion of the services sector as mentioned in the Malaysian Budget 2019 will be supported by rising demand in several sectors which includes information and communication. Private sector expenditure is expected to remain as the key driver of growth from high consumer and business sentiments. On the other hand, public sector expenditure is anticipated to be optimized accordingly but not to the extent affecting the public service delivery.

The Ministry of Finance anticipated that the growth in the information and communication sector is to increase by 8.1% in 2019, which is mainly due to higher usage of broadband services and smart applications. Increase in the digitalization activities of the economy are expected to have a positive impact for the subsector. Furthermore, the implementation of the Mandatory Standard on Access Pricing (MSAP) is expected to reduce broadband prices while improve the service quality, benefitting consumers and boosting growth of the sector.

The Group's business environment is expected to show a more positive trend in 2019. The Group will continue to implement relevant strategies to overcome challenges within the business landscape. These include securing recurring business from existing customers while gaining new business from both existing and new customers.

Some of the efforts that were nurtured since 2018 have materialised when the Group has secured two (2) contracts to deliver systems to the health ministry and inland revenue board worth RM33.2 million and RM14.4 million respectively in January 2019.

MOVING FORWARD

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

As a company that has been the incumbent in the system integration, application development and managed services provider in Malaysia for the past 20 years, we believe that we have the strength and core capabilities in riding the wave of changes. We had already embarked in repositioning ourselves as the "trusted technology partner" as opposed to the traditional "IT contractor".

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

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

We will also continue to play our role in growing and nurturing young talents in meeting the aspiration of grooming more IT literate people for the future of the ICT industry. Our continuous initiatives include engaging the graduates via collaboration with universities for internship programme.

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

SUSTAINABILITY REPORT

"ICT CAN BE A POWERFUL ENABLER OF SOCIAL SUSTAINABILITY AND CONTRIBUTE TO SUSTAINABLE DEVELOPMENT GOALS. AS A MAIN PLAYER IN THE ICT INDUSTRY IN MALAYSIA, HEITECH IS COMMITTED TO PROVIDING THE BEST POSSIBLE TECHNOLOGY AND SOLUTIONS TO OUR CUSTOMERS, FOR THEM TO ENABLE THEIR VISION. IT WILL NOT ONLY BENEFIT OUR CUSTOMERS BUT ALSO THE SOCIETY" – *PRESIDENT OF HEITECH PADU BERHAD.*

SUSTAINABILITY REPORT

SUSTAINABILITY @ HEITECH PADU BERHAD

INTRODUCTION

HeiTech recognised the importance of sustainability and is committed and strive to operate in a sustainable manner. This will not only create value to the Company, but also to our employees, business communities and society surrounding us. It is an important part of our business activities in order to remain resilient in today's dynamic business landscape.

Sustainability for HeiTech in the context of ICT player lies with the human capital development, technology partner and innovation. In our journey forward, corporate governance principles and practices are set as a framework of rules and procedures for the way business is governed and controlled in all our Business Units and Operating Companies. This governance framework will then be used as a platform to better integrate material sustainability issues into our business strategies, daily operations and relationship with stakeholders.

For the year under review, we continue to develop, focus and practise the best approach that HeiTech believed will give a significant impact to our long-term sustainable growth.

This Sustainability Statement covers the sustainability practices of HeiTech. The reporting period is from 1 January 2018 to 31 December 2018, unless otherwise stated.

SUSTAINABILITY REPORT

SUSTAINABILITY @ HEITECH PADU BERHAD

MESSAGE FROM PRESIDENT OF HEITECH PADU BERHAD

Business sustainability is vital, and it is a strategic priority for the lengthy-term prosperity of the corporation. We at HeiTech acknowledged that we need to incorporate broader principles of sustainability in our day-to-day business decisions. This is not merely a matter of doing the right thing, it is smart business.

ICT can be a powerful enabler for social sustainability and contribute to sustainable development goals. As the main player in the ICT industry in Malaysia, HeiTech is committed to provide the best possible technology and solutions to our customers, for them to enable their vision. It will not only benefit our customers but also our society.

As such, we have aligned our sustainability strategies into our core values. Through this process, we will create long-term value to our shareholders and stakeholders through the development of business models, systems, processes and production chains that manage the economic, social and environmental dimensions in a balanced manner.

Beyond our stated corporate sustainability commitments, we believe in creating value and engaging across local, regional and national governments, educational institutions and local communities.

We have just made the beginning, and there are multiple areas where we can improve. However, our approach to sustainability is for long-term and in this endeavour, we are pushing ourselves to be better, achieve more and look at holistic sustainable solutions while being operationally efficient.

HeiTech's sustainability journey will hopefully light a beacon and inspire many to traverse a still uncharted path to build larger societal value as an integral part of corporate strategy. This is not only imperative, but we owe it to our children and theirs to bequeath a better, safer, and a more secure and inclusive world than what we inherited.

I also would like to emphasise that two-way communications are essential in business sustainability. Making sure that we are willing to listen as much as we are open to speaking. Ensuring effective communication with employees has always been our top priority as we believe that engaging employees at every level of the business results in higher performance and increase employee's loyalty. Effective team works begin and end with communication.

On behalf of the Board of Directors, I would like to thank our diverse groups of stakeholders for providing us with support on many sustainability initiatives throughout 2018. A special thanks to Warga HeiTech for their commitment and dedication in supporting us by embedding the agenda of sustainability within HeiTech. This Sustainability Report is dedicated to all of you, and hope it will be useful and informative. I welcome your constructive feedback on issues which can be relevant to us. **TOGETHER WE MOVE, TOGETHER WE SUCCEED!**

Best Regards,
DATO' SRI MOHD HILMEY BIN MOHD TAIB
President of HeiTech Padu Berhad

SUSTAINABILITY REPORT

SUSTAINABILITY @ HEITECH PADU BERHAD

OUR APPROACH TO SUSTAINABILITY

Sustainability and corporate responsibility are integrated into HeiTech's business commitment to environmental performance, social and economic development. Conducting business responsibly is a cornerstone to our strategy and culture. We believe that ICT is a basic human needs and technology is the driver to improve people's lives.

In the era of digitalisation, it is our goal to be a responsible and relevant driver to a positive change in the society, by providing the best possible technology and solutions to our customers. Our new vision, "The Trusted Technology Partner to Enable Customers' Vision", embodies the breadth of what we aim to do and how to contribute to the sustainable development agenda as outlined in the UN's Sustainable Development Goals (SDGs).

We believe that digitalisation is fundamental in achieving all 17 of the SDGs using our solutions as the medium that will contribute to positive impact to customers and society.

Strategic Priorities

At HeiTech, sustainability and corporate responsibility are the cornerstones in building a company for the future in creating positive impacts and reducing risks. HeiTech's approach to sustainability and corporate responsibility is integrated into the business operations and strategy. Performance is regularly measured, assessed and assured.

Our sustainability and corporate responsibility strategy focuses on three areas: responsible business, economic, environmental and social impact, and ICT for all. Integrating sustainability and corporate responsibility into the Company's business operations helps HeiTech to improve performance and differentiate itself from its competitors. Being the trusted technology partner enables HeiTech to bring the most innovative and best possible solutions to the market and create a growing, inclusive and sustainable economy.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY STRATEGY

Responsible Business

HeiTech drives a proactive agenda that extends beyond legal compliance and has strong programs in areas such as human rights, anti-corruption, occupational health and safety and responsible sourcing. HeiTech continues to support the ten principles of the UN Global Compact and the UN Guiding Principles on Business and Human Rights.

ICT for all

HeiTech is committed to deploying solutions and advocates to improve accessibility. This foundation will become the enabler for the delivery of digital services to meet a wide range of societal needs, including education, health, transportation, defence, entrepreneurship and humanitarian response.

SUSTAINABILITY REPORT

SUSTAINABILITY @ HEITECH PADU BERHAD

Economic, Environmental and Social Impact

HeiTech continuously strives to improve the environmental performance of its products, minimise the negative impacts of its operations and contribute to environmental benefits resulting from the implementation of technology.

Our Sustainability Report is segmented into 3 areas; economic impact, environmental impact and social impact.

Economic Impact

- Governance, Ethic and Compliance
- Supply Chain

Environmental Impact

- Environment, Health & Safety

Social Impact

- Employees
- Community Support
- Customer

STAKEHOLDER ENGAGEMENT

The approach to stakeholders' engagement enables HeiTech to learn about their expectations and concerns, thus providing insights on risks as well as opportunities. Our stakeholders are segmentised into five categories; customers, shareholders, employees, partners/vendors and community/society.

The engagement takes a variety of forms such as joint projects and initiatives, meetings, exhibitions, surveys, participation in industry groups, representation on decision-making bodies, research projects, NGO dialogues and seminars. Other ways to gain stakeholder insight are research collaboration or twinning programme with academia, institutions and industry peers.

HeiTech engages with its stakeholders on an ongoing basis with diverse range of topics, including supply-chain management, energy performance, anti-corruption and other significant topics. Stakeholder engagement has always been our priority as it would contribute to a successful project and business delivery, and value creation for our sustainable growth.

HeiTech's Approach to Stakeholder Engagement

HeiTech®

Stakeholder Engagement Approach

WHO
do we engage with?

WHAT
issues do we need to engage?

HOW
do we make the engagement?

WHEN
should the engagement take place?

SUSTAINABILITY REPORT

SUSTAINABILITY @ HEITECH PADU BERHAD

Below are some of our engagement activities with the key stakeholders:

Stakeholder Group	Type of Engagements	Descriptions
Employees	• Internal satisfaction survey • Dialogue with employees – Town Hall • Internal newsletter • Employee engagement programmes • Kelab Kakitangan HeiTech	Involved 924 employees
Customers	• Customer satisfaction survey • 24 hours customer support • Customer engagement programmes	A total of 29 customers with 302 respondents from public and private sectors
Shareholders	• Annual Report • Annual General Meeting • Investor Relation Portal	BURSA announcement 27 (2016) 37 (2017) 22 (2018)
Partners/Vendors	• Partner engagement programmes • Technology updates session • Vendor satisfaction survey • Vendor performance evaluation	Total number of 242 partners/ vendors for satisfaction survey and 403 partners/vendors being evaluated
Community	• Community engagement through social activities with HeiTech Cares volunteers • Visit by University students	Benefited more than 1,000 beneficiaries

For more than two decades, we have touched thousands of lives locally and regionally, from employees to customers, partners, shareholders, vendors and community. We will continue to focus and improve on the critical aspect of the business in-depth approach when engaging with the various parties within the realm of our business.

To build close relationship with our stakeholders, we have institutionalised various channels to reach out to different parties through the years. By understanding expectations and responding to their concerns, it allows HeiTech to nurture stakeholders' trust in us.

SUSTAINABILITY REPORT

COMPANY PROFILE

COMPANY OVERVIEW

Please refer to Company Overview & Corporate Information section, from page 3 to 6 of this Annual Report.

AWARDS AND RECOGNITIONS

For 2018, HeiTech received a total of three (3) awards and recognitions. The summary is as stated below:

Cyber Security Innovation of the Year for HMS Secure-X Managed Security Services by Cyber Security Malaysia

IT Infrastructure Services Competitive Strategy, Innovation and Leadership Award by Frost & Sullivan Malaysia

APAC CIO Outlook Top10 IBM Solution Providers 2018

SUSTAINABILITY REPORT

COMPANY PROFILE

MILESTONES

The history of achievement and milestones of HeiTech Padu Berhad, for the past three (3) years.

2016

- Secured contract for the Outsourcing of IT Services from Permodalan Nasional Berhad (PNB)
- Secured contract for Clinical Documentation (CD) in Patient Management System (Sistem Pengurusan Pesakit (SPP) by Ministry of Health
- Extension of the Contract for Application System Maintenance Services at the Immigration Department of Malaysia.
- Appointment of Duta Technic Sdn Bhd (a subsidiary company of HeiTech Padu Berhad) by Tenaga Nasional Berhad for the Establishment of PMU 132/33KV MRT Semantan (2x90MVA), Kuala Lumpur
- Secured contract for Data Centre Services No. 2 and Disaster Recovery Centre for the Construction Industry Development Board (CIDB)
- Accepted a Purchase Order for Disaster Recovery Services and Office Rental Services from Prudential Services Asia Sdn Bhd
- Received Letter of Award for Maintenance Services of mySikap System for the Road Transport Department (JPJ)
- Secured new account from FOMEMA's Foreign Worker Medical Examination System (FWMES) Integration with MyIMMS, Department of Immigration Malaysia
- Clinched the APAC CIO Outlook 25 Most Promising Disaster Recovery Solution Providers Award
- Appointment of Duta Technic Sdn Bhd by Tenaga Nasional Berhad for Mainhead A : Proposed 275kV Double Circuit Loop In/Out Into PMU Kangkar Tebrau From Permas Jaya – Skudai Transmission Line
- Appointment of Duta Technic Sdn Bhd by Tenaga Nasional Berhad for Mainhead B : Proposed 132kV Single Circuit Loop In/Out Into PMU Tunjung From Kota Bharu – Tanah Merah Transmission Line
- Received Letter of Award for the New Core Banking Infrastructure Technology Refresh Project for Bank Simpanan Nasional
- Bagged HPE 2016 100% Achievers Club by Hewlett Packard

2017

- Secured maintenance contract for Managed Wide Area Network (WAN) Infrastructure Services for PNB and ASNB with Permodalan Nasional Berhad (PNB)
- Appointment of Duta Technic Sdn Bhd for the Establishment of High Voltage (HV) Interconnection Facility for Solar Power Plant at Gurun Kedah, Jasin Melaka and Merchang Terengganu by Scatec Solar Solutions Malaysia Sdn Bhd (a company of Scatec Solar ASA Norway)
- Conferred HPE Top Silver Partner 2017 by Hewlett Packard Enterprise
- Appointment of Duta Technic Sdn Bhd for the Mechanical And Electrical Works for 132kV switching substation and 33/132kV step-up substation for Mukim Bidor, Daerah Batang Padang, Perak Darul Ridzuan
- Clinched McAfee Commercial Partner of the Year 2017 Malaysia by McAfee
- Received Letter of Award for the Perkhidmatan Penyelenggaraan Sistem Aplikasi MyIMMS Jabatan Imigresen Malaysia (JIM)
- Secured new account from Companies Commission of Malaysia (SSM) for Security Infrastructure

2018

- Secured contract for the Outsourcing of IT Services from Permodalan Nasional Berhad (PNB)
- Launch of Secure-X Managed Security Services
- Conferred Cyber Security Innovation of the Year for HMS Secure-X Managed Security Services by CyberSecurity Malaysia
- Clinched the IT Infrastructure Services Competitive Strategy, Innovation and Leadership Award by Frost & Sullivan Malaysia
- Bagged the APAC CIO Outlook Top10 IBM Solution Providers 2018

SUSTAINABILITY REPORT

ECONOMIC

GOVERNANCE, ETHNIC AND COMPLIANCE

CORPORATE GOVERNANCE

HeiTech aims to further strengthen our corporate governance to facilitate effective and prudent management that can deliver long-term success to the Company. In achieving good corporate governance, we have structured and inculcated strategies including strategic planning, organisational structures and defined roles and responsibilities.

As a Public Listed Company, HeiTech is required to adhere to guidelines, set by Bursa Malaysia Berhad, Ministry of Finance and Securities Commission Malaysia.

In line with that, we have established effective control structure to ensure proper conduct of business operations are in place, which includes the following;

- Audit Committee
- Risk Management Committee
- Nomination & Remuneration Committee
- Employee Share Option Scheme Committee
- Voluntary Separation Scheme Committee

The details of the above Committee are under Statement of Corporate Governance of this Annual Report.

ETHIC AND COMPLIANCE

It is imperative for the Company to ensure that rules, regulations, laws, standards and ethical practices are being adhered to by the employees of HeiTech. This includes the code of ethics and compliance that underlines how Warga HeiTech reacts towards HeiTech's stakeholders.

Additionally, the code of ethics and compliance is also a guideline and reference for employees to manage their day-to-day decision making. It can also serve as a valuable reference, assisting employees to locate relevant documents, services and other resources related to ethics within the organisation. The guidelines established are based on the required standards that are acquired by HeiTech such as ISO 9001:2015 certifications, ISO/IEC 27001:2013 Information Security Management System, and The Capability Maturity Model Integration (CMMI®) Level 3.

Among the Policies and Guidelines established by HeiTech includes;

Policy
HeiTech Information Technology (IT) Policies
Information Security and Privacy Policy
Whistleblowing Policy and Guidelines
Delegation and Authority Limit Policy
Corporate Communications Policy
Competency Development Policy
Disciplinary Procedure
Sexual Harassment Policy
Purchasing Manual

Standard
Quality Management System ("QMS") ISO 9001:2015 certifications
ISO/IEC 27001:2013 Information Security Management System ("ISMS") certification
ISO/IEC 20000-1:2011 Service Management System ("SMS")
ISO/IEC ISO 22301: 2012 Business Continuity Management System ("BCMS")
PCI DSS certification
The Capability Maturity Model Integration (CMMI®) Level 3 for development framework
Test Maturity Model Integration ("TMMi") certification
HeiTech's Project Management Information System ("PROMISE")
Application Development Information System ("ADVISE")

The above table stated just a few of our Ethic and Compliance Policies. To find other policies and details, please refer to the Statement of Risk Management & Internal Control on page 74.

SUSTAINABILITY REPORT

ECONOMIC

VISION, MISSION & CORE VALUES STATEMENTS

We believe that we had achieved the previous vision and mission (V&M) as we have been instrumental in the government's transformation initiatives from traditional delivery into electronic-based delivery (e-Government). Among our credentials are from Road Transport Department, National Registration Department, Immigration Department Malaysia, Ministry of Health (MoH) and Defence Ministry. We have uphold our previous V&M for more than 11 years and we believe the new V&M will elevate HeiTech to a greater heights.

VISION

The Trusted Technology Partner to Enable Customers' Vision

MISSION

Touching Lives with Innovative Solutions

CORE VALUES

Dynamism

Passion for Excellence

People Centric

Integrity

HeiTech's new Vision, to be **The Trusted Technology Partner to Enable Customers' Vision** is a vision that will place HeiTech closer to our customers as we want to continue our journey with our customers in achieving their vision. This vision does not limit us from pursuing into one specific area but allowing us to explore other new areas.

Our newly defined mission, **Touching Lives with Innovatives Solutions** requires us to be agile and always be ahead of time to ensure we offer the best solutions and technology.

To realise this, it is pertinent to embrace our core values, with **Integrity** as the foundation, supported by **Dynamism**, **Passion for Excellence** and **People Centric**. These are the core values that we will uphold and embrace when we are performing our business and conducting ourselves as Warga HeiTech.

SUSTAINABILITY REPORT

ECONOMIC

SUPPLY CHAIN

SUPPLIER MANAGEMENT

A supply chain can be a long, complex and difficult to manage process - even before considering to improve the sustainability and efficiencies. A modern supply chain management encompasses a strategic alignment for an end-to-end business processes to realise market and economic value. We believe that effective supply chain management will reduce cost and eliminate inefficiencies in the organisation thus giving HeiTech the competitive advantage over the other business rivals.

In the current climate, reputational and environmental pressures are paramount to any company's future. Building a sustainable supply chain will provide new selling opportunities within our business. It will also reduces costs and improve efficiencies, creating a better workplace for our employees and sustainable environment for the community.

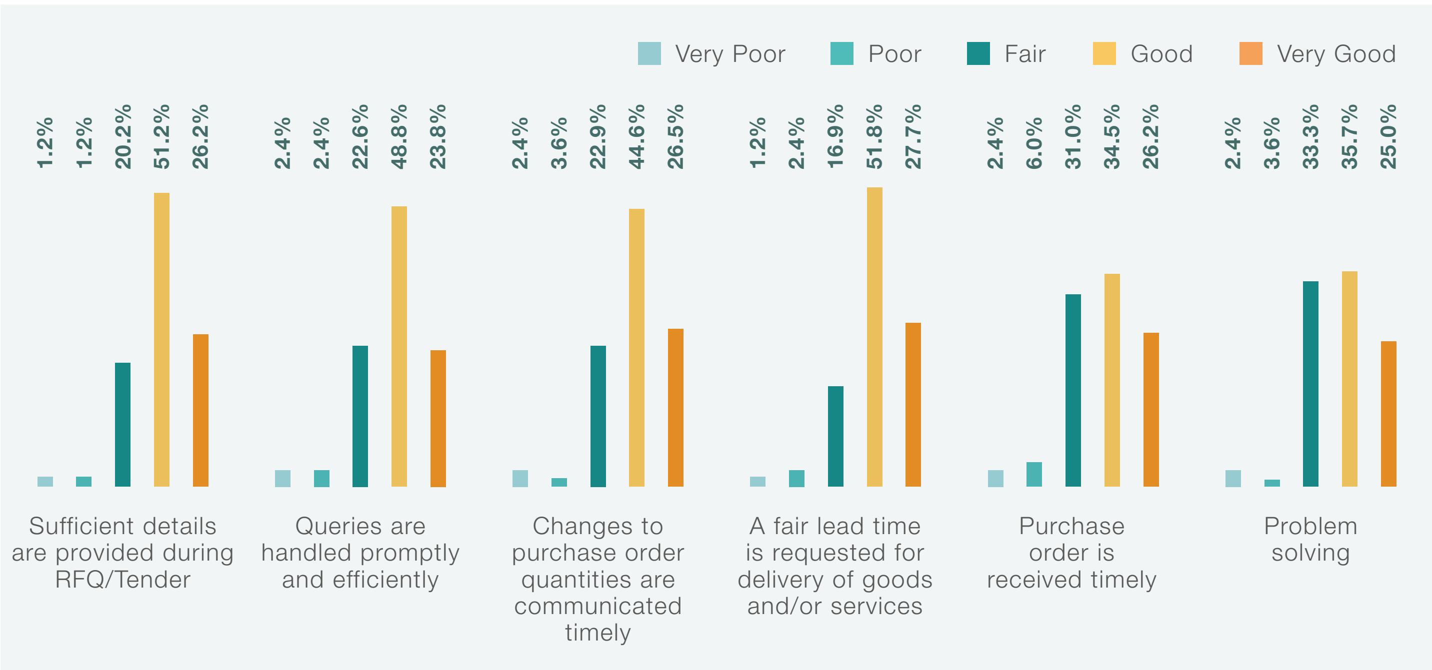
At HeiTech, we have established our internal Procurement Department consisting of three functional structure unit. This is to ensure the purchasing standards and procedures are applied and meet the objective defined.

The 3 functional units are as follows;

- Supplier Relationship Unit
- Purchasing and Delivery Unit
- Compliance & Monitoring Unit

To ensure that the Procurement Department always perform at their best to our vendors and suppliers, we conduct Vendor Satisfaction Survey on yearly basis.

Below is the survey result on the performance of our Services to our vendors and suppliers.



SUSTAINABILITY REPORT

ECONOMIC

SUPPLIER AND VENDOR DIVERSITY

The selection of suppliers and vendors is based on merit and capabilities. All vendors and suppliers in HeiTech has to be registered and background check is conducted to validate the company's eligibility. Our list of suppliers and vendors also varies from local to foreign companies, and Bumiputera to non-Bumiputera companies.

Below are the number of suppliers and vendors registered with HeiTech as at 31st December 2018;

Category	No. of Supplier/Vendor
Bumiputera	334
Non-Bumi	496
Foreign Company	29
Principal	128

We acknowledged the importance of early engagement with our suppliers and vendors. This early engagement practice has been implemented within the organisation, and it has benefited both parties in various angles.

Another advantage of having an excellent partnership with our suppliers and vendors is we are able to establish the "Centre of Excellence". We are investing in our people to be certified with specific technical skillsets to support the multiple products that we provide to the market. This can only be done with the strong support by our suppliers, vendors and principals.

COLLABORATIONS WITH STRATEGIC PARTNERS

Among our efforts to enhance customers' experience is by establishing HeiTech's Partner Management Programme with the vision to grow HeiTech via partnership management.

The programmes conducted in 2018 are illustrated in the table below;

Programmes	Activities
Co-Joint Event	• Joint event with partner: - VMWare at Sime Darby - Trend Micro at HeiTech events
Technical Training	• Technical Training on Cisco Meraki (network), Huawei SD (WAN) and Trend Micro (sales and pre sales)
Managed Security Services	• Meeting with TrendMicro & Fortinet • Collaboration with Cyber Security Malaysia • Product Briefing from Frost &Sullivan IDC
Engagement	• Management Engagement • Sales Get Together
Business Support	• Teaming Agreement with partners
Quarterly Updates	• Updates to all staff on the progress of partnership

As a service-based organisation, apart from delivering the solutions and services, the collaborations with our partners allows us to offer value-added services to support our customers' needs.

HeiTech organised our annual Hari Raya Open House especially for our partners as a sign of appreciation for their commitment and support towards HeiTech. In 2018, the event was held at Colosseum Shah Alam on 11th July.

SUSTAINABILITY REPORT

ENVIRONMENTAL

ENVIRONMENT, HEALTH AND SAFETY

OCCUPATIONAL SAFETY AND HEALTH (OSH)

Environment, health and safety have become synonymous with corporate responsibility, an idea that encompasses more than environmental considerations. We acknowledged that we are responsible to provide a safe working environment to employees. Likewise, we expect our employees to comply with any legislative requirements and organisational policies and procedures; work in accordance to safe working practices; and use all means provided to protect their health and safety.

To promote a safe working environment and comply with the requirement of Subsection 29 (2), Occupational Safety and Health Act (OSHA), we have appointed a Safety & Health Officer, among our employees. Occupational Safety and Health (OSH) Policy was also established and becomes the fundamental guidelines in providing a safe working environment.

We have provided training and awareness programmes on occupational safety and health related matters; hazard identification, fire drills and first aid to our employees. The formulation and enforcement of HeiTech's OSH Policy will ensure all employees are aware of their roles and responsibilities and strictly adhere to the policy in their working environment.

The numbers of OSH activities are as follows:

Category Trainings	2018	2017	2016
OSH Meeting	4	3	3
OSH Circular	4	4	6
Safety Knowledge Sharing / Awareness Talk	1	3	4

We have also conducted scheduled fire drill on annual basis to ensure our employees, contractors and customers are aware on actions need to be taken in the event of a fire.

Computers are essential working tool in our organisations. We acknowledged that the most common injuries in the ICT industry are slip disc and carpel tunnel due to a static position for a long period. Therefore, we have taken precaution to encourage staff to perform a light exercise in avoiding injuries to happen. The statistic for the two mentioned injuries are as follows:

	Average Total Staff	Carpal Tunnel	%	Slipped Disk	%
2018	924	0	0.00	5	0.54
2017	912	3	0.33	4	0.44
2016	897	1	0.11	4	0.45

Because of this diversity of direct and indirect indicators, the overall effect of ICT on environmental sustainability is not easy to determine. With the proper equipment, ergonomic workstation design, proper techniques and working practices, the risk can be significantly reduced.

PAPER CONSUMPTION, TOWARDS PAPERLESS

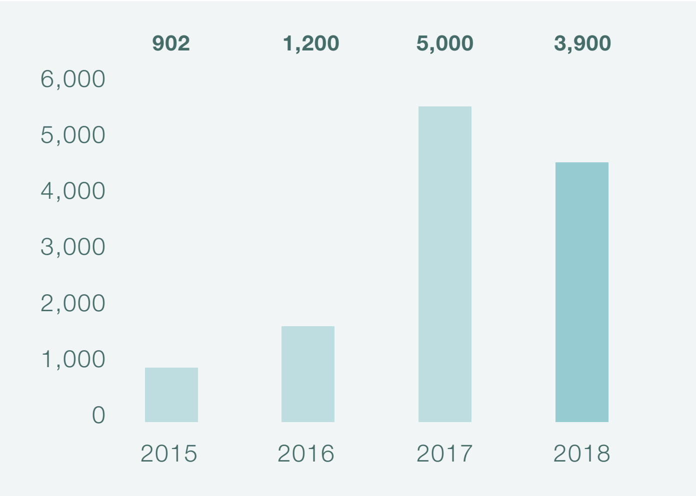
We believe that a small step in the right direction is imperative and we must lead by example. Adoption of cloud base technology in trend with the current information technology environment proved that we have embraced it long before the market has. We have implemented paperless board papers in most of our Board of Directors meetings since 2014. This is our commitment towards sustainable environment and more efficient and productive meetings.

Nevertheless, in complying with business requirements, HeiTech still requires the usage of paper especially in printing proposals and submission of tenders.

SUSTAINABILITY REPORT

ENVIRONMENTAL

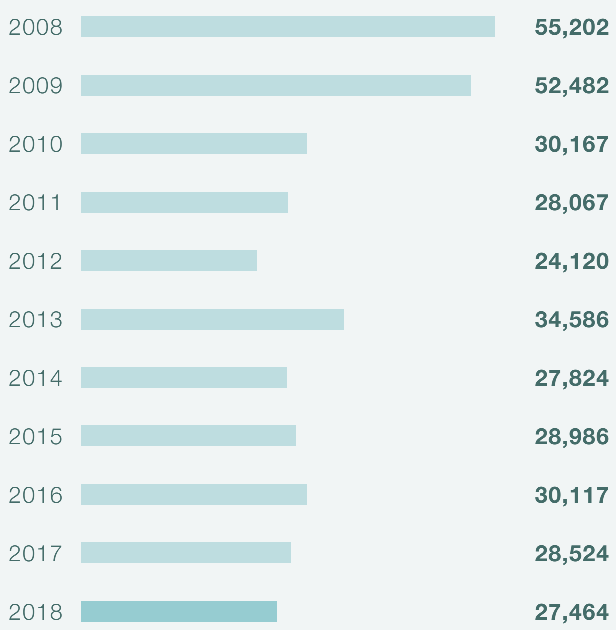
Summary of paper usage (number of ream) for HeiTech, from 2015 – 2018 is illustrated in the graph below.



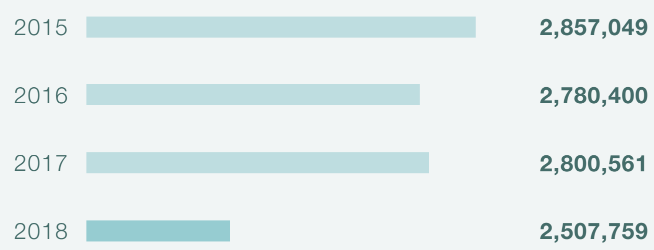
WATER AND ELECTRICITY CONSUMPTION

HeiTech constantly looks for initiative to save energy and electricity consumption. Water and energy strategies must be simultaneously rewired for the long term, and we have steadily managed our water and electricity consumption since 2009.

Water Consumption 2008 - 2018 (unit m³)



Electricity Consumption 2015 - 2018 (Bulk Meter)



In the year, we have progressively replaced 14 units of Computer Room Air Conditioning Unit (CPAC) to ensure efficient use of energy. With this initiative, we expect to reduce the consumption of electricity for DC Cooling by 20%.

PROPER WASTE DISPOSAL

We understand that proper waste disposal is essential for both environmental and public health. Therefore, a proper document destruction is necessary component in doing business.

As we are dealing with confidential information, the documents are required to be disposed off in appropriate process to ensure the private and sensitive information are being protected.

We disposed our documents using the services provided by our subsidiary company, Inter-City MPC Sdn. Bhd. Inter-City's mobile shredder has provided an on-site document destruction, protecting identities and preventing ID theft by destroying confidential information appropriately. Besides preserving the data, we also encourage for the papers to be recycled. Waste that is not properly disposed can be hazardous to the environment.

SUSTAINABILITY REPORT

SOCIAL

CUSTOMERS

Customers are the lifeline of a business. "Without them, we are nowhere". That is the main thrust where we value our customers and providing them with our best support and enhancing their competitiveness in using our solutions. We ensure that new changes and development are adequately communicated and govern by a structured process rather than a need to do basis.

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

HeiTech has played a vital role in digitising the government's offices into e-government. Today, we are collaborating with our customers in their transformation journey to create efficient operation, improved productivity and enhance their customer's experience.

CUSTOMER CARE CENTRE

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

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

SUSTAINABILITY REPORT

SOCIAL

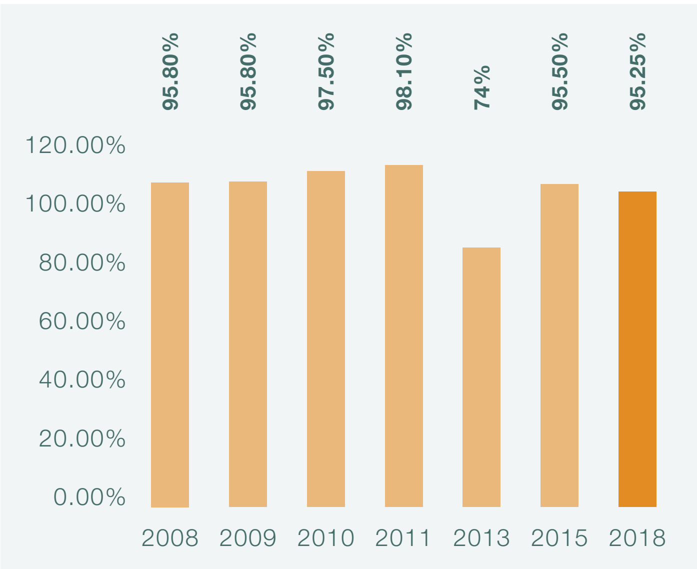
CUSTOMER SATISFACTION SURVEY

We continue to listen to our customers in improving the way we do things. Our interaction with customers present at all touchpoints, and they can provide feedback to us via the Customer Satisfaction Survey that is conducted on annual basis.

For every completion of the project, we also deployed a customer satisfaction survey to evaluate and enhance our performance in terms of deliverables and competencies.

HeiTech Quality Policy stated that we would strive to achieve the expectation and satisfaction of our customers continuously. For 2018, HeiTech has reached 95.25% overall satisfaction level or Customer Satisfaction Index (CSI) covering both the public and commercial sectors. CSI is a good indicator for us to strengthen our branding and position in the market.

The 7-year Overall Customer Satisfaction Level as per illustrated in the graph below.



CUSTOMERS ENGAGEMENT ACTIVITIES/EVENTS IN 2018

Among the significant events conducted in 2018 are as follows:

- HeiTech organised one day conference entitled HeiTech Secure-Xchange 2018: Securing ICT in the Digitalised World on 26 Sept at the Cyber Security Malaysia Awards, Conference and Exhibition (CSM-ACE 2018). The HeiTech Secure-Xchange conference was held in conjunction with the 4-days CSM-ACE event which draws ICT and cybersecurity professionals and industry leaders from across the globe, and addresses key topics such as industrial cybersecurity as well as insights on safety and skills.

- HeiTech participated in 2018 edition of Minggu Saham Amanah Malaysia (MSAM) organised by Permodalan Nasional Berhad (PNB) at Batu Pahat, Johor. The main attractions upon entering the 'tunnel' of HeiTech were the opportunity to get hands-on experience with interactive robotic games, an augmented reality/AR smartphone game dubbed 'Chicken Shootout!, selfie session with Optimus Prime Robot and many more. Moreover, HeiTech also bring-out innovative solutions during the showcase such as Managed Security Services; dubbed 'Secure-X' and Educational Financial Game App namely Bijak Labur. Spanning a total of seven (7) days, MSAM 2018 received more than 200,000 visitors through its doors.

- HeiTech organised Hari Raya Open House for its customers in conjunction with Hari Raya Aidilfitri celebration as a sign of appreciation for their loyalty and support.

INFORMATION SECURITY AND PRIVACY POLICY

In today's complex ICT infrastructure, systems and growing of information value, security becomes critical and increasingly important. Organisations are becoming more vulnerable to cyber threats, malware attack and viruses. HeiTech as an ICT provider to many large organizations needs to equip ourselves with knowledge and best practices in defending our customers from the said threats. We firmly believe that the security aspect is an essential component for a complete customer experience enhancement. Realising the importance of protecting the security and privacy of our customers, we have adopted Information Security Management System (ISMS) standard to protect confidentiality, integrity and availability of assets. It is also served as preventive measures over vulnerabilities, security threat and breaches.

SUSTAINABILITY REPORT

SOCIAL

EMPLOYEES

TALENT MANAGEMENT

Talent management is all about an organisation's dedication to attract, retain, and more importantly, develop the best employees in the company. We regard our employees as our key and valuable asset. We endeavour to build a sustainable working culture by offering employees a combination of compelling propositions from work-life-balance to diversity environment, clear career path and safe working environment.

HeiTech realised that social starts with our in-house talent; thus we have created multiple programmes that promotes social engagement between the staff. We firmly believe that a happy worker will lead to higher productivity.

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

- Ensuring a diverse workforce in a safe environment by maintaining compliance with the law of the land and by the laws.
- Providing training and development in the area of technical and soft skills that meet the IT industry's standards and best practices.
- Engage intern students under the Internship Programme.

Nevertheless, we acknowledge that the younger generations are different from Generation X and Y. As such, we are assessing few initiatives to attract and retain more of the Generation Y and Millennials in the company. This includes attractive packages, clear career path and learning and growth opportunities.

CAREER GROWTH AND DEVELOPMENT

HeiTech as a professional organisation depends on the expertise and engagement of its employees to generate business. Thus, career development and growth for our employees is an essential part of our business. We also believe career development and growth would increase employees' motivation and productivity.

As the market for talent continues to intensify, it will become increasingly difficult to attract and retain the best employees in HeiTech. Hence, we continuously improve our talent recruitment programmes to ensure we have the capability to achieve our vision and mission.

SUSTAINABILITY REPORT

SOCIAL

On top of the recognition and reward system for staff retention, skill-building is also vital to create a clear career path for employees. Skill-building programmes offered to upskill and reskill talent are benchmarked against international standards to equip the workforce with the right knowledge, skills and attitudes to increase talent employability and thrive in a globalised economy.

HeiTech comprises of 80% technical employees and 20% support staff. Therefore, it is crucial to keep the technical employees abreast with the latest technologies, skills and certifications required for the business. However, our focus on competencies not only for the development of technical competencies but also covered up to the leadership competencies. We also emphasised on improving the ability of frontline employees to enhance the customer experience. During the year, employees have attended training in various programmes to increase their technical skills, customer management and communication skills, as well as supervisory skills - all geared towards the provision of better customer experience.

Binary 1.0 is one of the programmes that was introduced in 2018, aimed to further develop our people to be more innovative, customer-focused and with agile. A total of 175 employees were involved in Binary 1.0.

The summary for training attended and certification under year review are as follows:

Categories	Training & Certification Programmes
Leadership	HeiTech Binary 1.0: Coaching As A Leader
	HeiTech Binary 1.0: Project Leadership
	HeiTech Binary 1.0: Vision & Mission
Business Development & Account Management	HeiTech Binary 1.0: Account Management
	HeiTech Binary 1.0: Customer Centric Mind-Set
	HeiTech Binary 1.0: Customer Focus Sales
	HeiTech Binary 1.0: Team Cohesion
Technical (Note: only listed a few, and total training is 118)	Cert Info System Security Professional
	Cloudera Administrator for Apache Hadoop
	Cybersecurity Challenge: Bridging the Gap
	Next-Gen Cloud Computing
	Root Zone Domain Name System Security Ex
	Software Defined Network (SDN) Workshop
Functional (Note: only listed a few, and total training is 58)	14th MECA Industrial Relation Convention
	Human Factors In Maintenance Training
	Leadership 4.0 Driving Digital Transform
	Managing Project Scope for PM & BA
	Workplace Health Promotion 2018
	Pengurusan Keselamatan Sasaran Penting Kawasan
	Workshop on ISO 9000:2015

Beyond academic, we also provide soft-skill training including effective verbal and written communication, time management and grooming, for a balanced, well-rounded education.

SUSTAINABILITY REPORT

SOCIAL

We also believe that the best 'guru' of the industries are within us. Therefore we also created culture of teaching, of which knowledge sharing sessions were held between peers on Friday for 2 hours. These sessions were considered as part of in-house training programmes for the employees.

For 2018, more than ten knowledge sharing activities have been carried out, as listed in the table below:

Course Name	Objective
Future PMP Certified PM Get-Together	Revision session on PMP
QMS Session	Creating awareness on the QMS practices
Understanding The Legal Process	Latest update on Legal Department processes and services
DynaTrace Technology Updates For PM Department	Technology update session on DynaTrace Technology
Amanah Dalam Kerjaya	To instill awareness on integrity
Sexual Harassment - Sexual Advances	Creating awareness on the do and don't of sexual behaviour of colleague at the workplace
Health Talk - Joint & Spinal Care	Awareness on Joint & Spinal Injuries
Keselamatan Jalan Raya & Pemanduan Selamat	Road Safety: The DO's & DON'TS
Fitness Talk	Fitness Awareness
Fire Safety Emergency	Fire Safety: The DO's & DON'TS
Google & Nutanix	Technology Update Session
NEC Solution Update & Online Payment	Technology Update Session
iSentrix Technology Update	Technology Update Session
Riverbed - SD - WAN	Technology Update Session
Secure - X Technology Update Session	Technology Update Session
Cisco Viptela	Technology Update Session

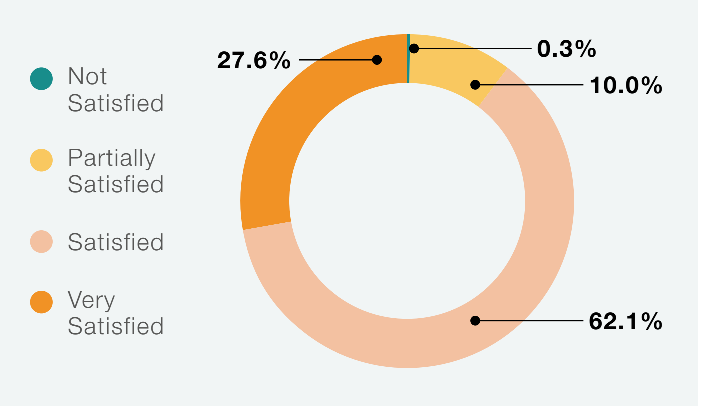
EMPLOYEE ENGAGEMENT

Employee engagement is fundamental in making sure the employees understand our goal and we in return acknowledge their concerns and requirement. Indirectly, employees engagement strategies may improve the productivity and employees will have a sense of belonging towards the Company.

An annual Internal Satisfaction Survey (ISS) for Corporate Office was carried out with the objective to appraise and gauge satisfaction level of internal parties that receive support and services from departments under Corporate Office such as Human Resource, Group Finance, Competency Development, Legal, Corporate Communications, Management Information System and Central Project Management and Compliance department. This was also one way of engagement between the employees within the Group.

Department	Overall Satisfaction
Group Finance	89.9%
Procurement	87.6%
Audit & Assurance	90.7%
Group Human Resources	90.9%
Property Management & Administration	91.4%
Corporate Communication	87.5%
Legal	87.2%
Project Management & Compliance	91.4%
Management Information System	87.7%
Quality Management System	92.4%
Company Secretary	89.3%

Overall, satisfaction level for services by Corporate Services is 89.6% as illustrated below:



DIVERSITY

The staff composition in HeiTech varies from religion and political beliefs, gender, ethnicity, education, socio-economic background, sexual orientation, citizenship status, mental and physical conditions, as well as other distinct difference between people. We acknowledged that a balance composition of employees is imperative to maximise productivity. Having multi-lingual workforce from various ethnic background can also an advantage for HeiTech to expand or localise our operation in international, national, regional and local markets.

We are also looking at empowering our young talent and prepare them for future leadership by exposing them with active role in project management. This effort promotes leadership continuity within the Company.

Our approach in managing diversity in the workplace includes:

- Prioritise communication
- Treat each employee as an individual
- Encourage employees to work in diverse groups
- Base standards on objective criteria
- Be open-minded

HeiTech ensures that there are policies and practices in place to protect employees' rights and stay compliant with government regulations.

DEMOGRAPHIC

Age Group

Age Group	2018		2017		2016	
< 20	1	0.11%	-	-	-	-
20-29	262	28.35%	88	9.65%	65	7.25%
30-39	307	33.23%	304	33.33%	298	33.22%
40-49	226	24.46%	278	30.50%	311	34.70%
50-59	126	13.63%	207	22.70%	192	21.40%
≥ 60	2	0.22%	35	4.00%	31	3.45%
Total	**924**	**100%**	**912**	**100%**	**897**	**100%**

Gender

Gender	2018		2017		2016	
Male	564	61%	569	62.39%	566	63.1%
Female	360	39%	343	37.61%	331	36.9%

Turnover Rate by Gender

Gender	2018	2017	2016
Male	8.83%	8.84%	9.20%
Female	6.32%	5.53%	4.88%

Ethnic

Ethnic	2018	2017	2016
Malay	899	878	863
Chinese	7	12	12
India	7	7	10
Other Bumiputera Ethnic	7	8	8
Sabah Native	1	3	3
Sarawak Native	2	2	-
Pakistani	-	1	1
Iranian	1	1	-

By Gender

By Gender	2018	2017	2016
Top Management			
Male	4	2	2
Female	3	1	1
Board of Directors			
Male	7	6	7
Female	2	2	1

* *The above information is accurate as at 31st December 2018.*

From the chart, we can see that HeiTech has also practiced gender equality in its leadership.

SUSTAINABILITY REPORT

SOCIAL

WORK-LIFE BALANCE

A sustainable work-life balance yields a viable business. Developmental work for humans is mostly achieved through high performing organisations, and the performance of organisations, in turn, depends on the commitment and engagement of their employees.

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

Activities conducted in 2018 includes motivational and religious talks, family programmes as well as sports and recreational programmes. Our flagship programme, HeiTech Cares is also part of the initiatives that aimed to promote work-life balance and instill spirit of volunteerism amongst our employees.

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

- Health Day Programme – Let's Go Healthy
  - Basic Healthy Check-Up & Health Screening
  - Fitness Test
  - Healthy Food
  - Vaccination
- Blood Donation Drive
- Weekly Zumba Class
- Activities organized by Kelab Kakitangan HeiTech:
  - Academic Excellence Award Ceremony
  - Movie Outing
  - Fruit Fiesta
  - Tazkirah Ramadhan
  - Mini Carnival (Road to Final World Cup)
  - Road Safety Talk
- HeiTech Metamorphosis Dinner
- Flexi-working hour
- Mum's Room (for breastfeeding mothers)

COMMUNITY SUPPORT

At HeiTech, the company's values shown not just through formal communications and events, but also through the actions of every person and employee who represents the company in the day-to-day life of the community.

Our contribution to society focused on educational, social development and philanthropy. At HeiTech, we believe the Corporate Social Responsibility (CSR) is an integral part of our overall strategies to fundamentally strengthen our business while contributing to society at the same time. Implementing a CSR agenda focusing on social impact will help to protect and preserve the environment, educate people to make greener choices and encourage personal growth and development in an area which could become a new passion for a person.

We believe in making a positive and sustainable impact in the communities we operate in.

Our highlights in 2018 includes:

- HeiTech Cares
- Collaboration with IBM and Universiti Malaysia Pahang
- Youth and Educational Development
- HeiTech Venture Builder Programme

HEITECH CARES

Berat sama dipikul, ringan sama dijinjing. At HeiTech, an Employee Volunteering Programme (EVP) known as HeiTech Cares, is the key part to our CSR programme. It is a direct and effective way for HeiTech to contribute and serve the community. To the community, they see our presence in the positive light!

HeiTech Cares was launched in 2015 with the objectives to promote volunteerism among the staff and to enhance the living standard of the community. Since 2015, HeiTech Cares activities have benefited more than 2,000 beneficiaries which include students, schools, NGOs, orphanage and other under-served groups.

We are active in volunteering programme and encourage our employees to participate. We believe this is our way to improve employee attraction/retention, encourage employees to work together, increase employees satisfaction, and as a result, generate greater productivity. HeiTech Cares also enhances our corporate image and strengthen our position in the industry.

Volunteer work is a great way to show our employees the company's core values and objectives. With this kind of volunteer programmes, HeiTech can be strengthened by the cohesive values instilled in employees. Not only employees are more aware of the mission that the Company is pursuing, but they will also appreciate their Company's involvement in the relevant community.

In 2018, HeiTech Cares collaborated with an NGO, Kelab Rekreasi dan Sukan Selangor (Well Care) organising "Ziarah Ramadan Sahabat Jalanan" event. More than 50 volunteers distributed packed food and manicure set to the homeless along Jalan Hang Lekiu, Kuala Lumpur.

In conjunction with the month of Ramadan, HeiTech Cares and Kelab Kakitangan HeiTech jointly organised "Program Memasak Bubur Lambuk" at Menara HeiTech Village. More than 1,000 bowls of Bubur Lambuk were distributed to HeiTech's staff and tenants in Menara HeiTech Village.

SOCIAL

As a responsible corporate citizen, we are committed to managing the impact of our operations on the environment by enabling our staff to become more environmental friendly. On April 2018, 25 volunteers took part in HeiTech Cares Mangrove Planting Project held at Kuala Sepetang Taiping, Perak. The objective of this project is to enhance the awareness in safeguarding flora and fauna for a sustainable eco-system.

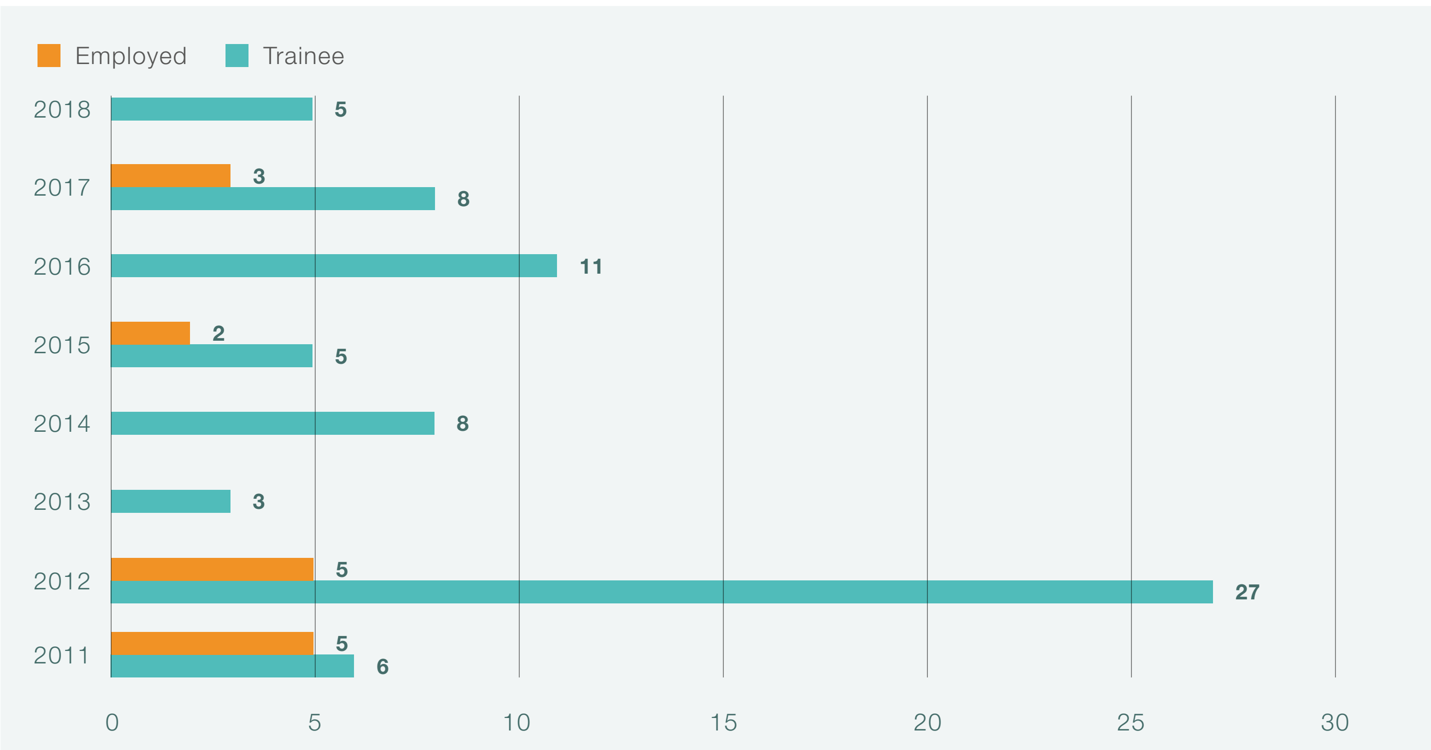
COLLABORATION WITH IBM AND UNIVERSITI MALAYSIA PAHANG (UMP)

One of the skillsets that we are focusing on is in the area of mainframe technology. We have collaborated with one of our main partners in the area of mainframe namely IBM. We have successfully established a Centre of Excellence in the mainframe area for Universiti Malaysia Pahang (UMP), a competency-based technical university that specialises in the fields of engineering and technology. HeiTech, University Malaysia Pahang (UMP) and IBM have collaborated and executed a Memorandum of Understanding in 2010 for the establishment and development of “IBM-UMP-HeiTech System z Academic Initiatives”, an elective curriculum leading to nurture the experts and specialised human resources on IBM System z.

HeiTech provides IBM Mainframe System z Infrastructures and Services for UMP students to test on the actual mainframe infrastructure located at HeiTech Village 2 (HTV2) Data Centre. Selected UMP student will have the opportunity to access the z-Systems infrastructure at HTV2 Data Centre remotely. As part of the z-OS Course Content, students will have the actual feel and experience in operating and managing the z-OS system including other mainframes infrastructure technology such as CICS, DB2 as well as Enterprise Storage. This will give them the experience of a truly Mainframe Technology in a real data centre environment.

As part of zAI programme, HeiTech and IBM will have an annual session with the UMP students held at UMP campus, for Industrial Talk and Knowledge Sharing on the latest ICT offerings. It also focuses on mainframe services with insight on career opportunity followed with interview sessions for the students to have the opportunity to conduct their Internship Programme at HeiTech. The candidate will also has the opportunity to be part of Warga HeiTech if they performed well during the Internship Programme.

The graph below illustrates the number of UMP students employed and trained under the “IBM-UMP-HeiTech System z Academic Initiative”:



SUSTAINABILITY REPORT

SOCIAL

YOUTH AND EDUCATIONAL DEVELOPMENT

HeiTech's involvement in youth and educational development continued focusing on educational visit by students, school adoption and scholarships programmes. In 2018, we opened our doors to students from Kolej Yayasan Pahang and Intra International College to visit our world-class IT facilities. This initiative served as a platform for HeiTech to share our knowledge and experience in the realm of latest technology and trend in the industry with the students. We aspire to develop local young talent to be the next generation of IT specialist in future.

HeiTech has played an active role in improving the educational standards of students from rural communities by providing them with the opportunity to excel in their education. In 2018, we have allocated more than RM30,000 for students and school under HeiTech's Adoption School and Scholarship Programmes. We believe that through these initiatives, we have made significant impact to the lives of our future generation.

HEITECH VENTURE BUILDER PROGRAMME

In supporting the national agenda of transforming Malaysia from a consumer nation to high income economy through innovation, HeiTech has come forward to realise this aspiration with the launch of Venture Builder Programme, a programme that specifically designed to support the growth of start-up companies in Malaysia.

HeiTech Venture Builder Programme is looking for start-ups that are involved in producing innovative solutions in the areas of financial, security, education and health, especially those embarking into new technology such of artificial intelligence, data analytics and blockchain. Through this programme, HeiTech offers start-ups access to its resources and infrastructure, giving them a helping hand in developing, implementing and marketing their solutions.

The start-up companies who have enrolled into this programme includes NXSense (a health wellness IT platform), Gerbang Mahir (a TVET digital platform), EvenThings (an event management IT platform) and Paymatic (a hybrid business e-payment platform).

SUSTAINABILITY REPORTING

EXTERNAL REPORTING STANDARDS

HeiTech recognises the importance of external sustainability reporting standards to promote relevant, transparent and comparable disclosure of company performance. We use the Bursa Malaysia Sustainability Reporting Guide as a guide for our standard reporting framework.

People Centric

- CUSTOMER CENTRIC
- DEVELOPING TALENT
- RESPECT

OUR CORPORATE GOVERNANCE

- Board of Directors
- Profile of Directors
- Profile of Company Secretaries
- Profile of Executive Management Council
- Statement of Corporate Governance
- Audit Committee Report
- Statement on Risk Management & Internal Control
- Disclosure to Bursa Malaysia

PROFILE OF DIRECTORS

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

CHAIRMAN OF HEITECH PADU BERHAD

Malaysian / Male / 70
Appointed on 17 October 2006
Number of Board Meetings Attended in the Financial Year: 5/5

Membership of Board Committee
- Audit Committee
- Employee Share Option Scheme (ESOS) Committee

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.
- PhD (Hons) in Economic Management, Sultan Idris Education University, Malaysia

Tan Sri Dato' Sri Abi Musa Asa'ari started his career in the Malaysian Civil Service as Assistant Director in Public Service Department in 1973. He then served in the National Bureau of Investigation, National Institute of Public Administration and Petroleum Development Unit of the Prime Minister's Department before being appointed as the Deputy Budget Director in the Ministry of Finance in 1995. In 1998, he joined Federal Agriculture Marketing Authority (FAMA) as the Director General and subsequently as the Secretary General of the Ministry of Agriculture and Agrobased Industry from 2001 before retiring in 2006.

He is currently the Chairman of Pelikan International Corporation Bhd and MCT Berhad.

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

Tan Sri Abi Musa Asa'ari was appointed as Chairman of HeiTech Padu Berhad with effect from 1 January 2019.

PROFILE OF DIRECTORS

DATO' SRI MOHD HILMEY BIN MOHD TAIB

PRESIDENT/EXECUTIVE DEPUTY CHAIRMAN

Malaysian / Male / 66
Appointed on 5 August 1994
Number of Board Meetings Attended in the Financial Year: 5/5

Chairman of Board Committee
- Voluntary Separation Scheme (VSS) Committee

QUALIFICATIONS:

- Bachelor of Economics (Hons) in Accounting, University of Malaya
- 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 UMP Holdings Sdn. Bhd. He is also a Director in PT Intercity Kerlipan, Cinix1 Pty. Ltd., Motordata Research Consortium Sdn. Bhd, DAPAT Vista (M) Sdn Bhd and several other companies within HeiTech Group.

Dato' Sri Mohd Hilmey was appointed as President/Executive Deputy Chairman of HeiTech Padu Berhad with effect from 1 January 2019.

PROFILE OF DIRECTORS

DATO' HAJI GHAZALI BIN AWANG

INDEPENDENT NON-EXECUTIVE DIRECTOR

Malaysian / Male / 72
Appointed on 8 March 2005
Number of Board Meetings Attended in the Financial Year: 5/5

Chairman of Board Committee
- Audit Committee
- Nomination and Remuneration Committee
- Employee Share Option Scheme (ESOS) Committee

Membership of Board Committee
- Voluntary Separation Scheme (VSS) Committee

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

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

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

DATO' MOHD FADZLI BIN YUSOF

INDEPENDENT NON-EXECUTIVE DIRECTOR

Malaysian / Male / 74
Appointed on 7 October 2005
Number of Board Meetings Attended in the Financial Year: 5/5

Chairman of Board Committee
- Risk Management Committee

QUALIFICATIONS:

- Diploma Communications, Advertising and Marketing-Communications, Advertising and Marketing (CAM) Foundation, United Kingdom.

Dato' Mohd Fadzli started his career in broadcasting with Radio Malaysia and joined British Broadcasting Corporation (BBC World Service), 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 also served as a Director of Amana Takaful Sri Lanka PLC, Amana Takaful Life Sri Lanka PLC and Amana Takaful Maldives PLC. He is a member of the Board of Perbadanan Kemajuan Iktisad Negeri Kelantan (PKINK) and Perbadanan Baitulmal Negeri Sembilan. Dato' Mohd Fadzli is also a Council Member at Kolej Islam Antarabangsa Ismail Petra Kelantan.

He is a Director of Motordata Research Consortium Sdn Bhd, a subsidiary of HeiTech Padu Berhad.

PROFILE OF DIRECTORS

SULAIMAN HEW BIN ABDULLAH

INDEPENDENT NON-EXECUTIVE DIRECTOR

Malaysian / Male / 69
Appointed on 30 July 2013
Number of Board Meetings Attended in the Financial Year: 4/5

Membership of Board Committee
- Nomination and Remuneration Committee
- Risk Management Committee

QUALIFICATIONS:

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

Sulaiman Hew 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 Defence System Sdn Bhd, a subsidiary of HeiTech Padu Berhad.

WAN AINOL ZILAN BINTI ABDUL RAHIM

INDEPENDENT NON-EXECUTIVE DIRECTOR

Malaysian / Female / 64
Appointed on 6 August 2013
Number of Board Meetings Attended in the Financial Year: 5/5

Membership of Board Committee
- Audit Committee

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 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 HeiTech Eco Energy Sdn Bhd, a subsidiary of HeiTech Padu Berhad.

PROFILE OF DIRECTORS

AMIZAR BINTI MIZUAR

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Malaysian / Female / 49
Appointed on 30 January 2018
Number of Board Meetings Attended in the Financial Year: 4/5

Membership of Board Committee
- Risk Management Committee

QUALIFICATIONS:

- Diploma in Banking Studies, Institut Teknologi MARA, Malaysia
- Bachelor of Business Administration (Hons), Universiti Utara Malaysia
- Executive Diploma in Investment Analysis, Institut Teknologi MARA, Malaysia
- Graduate Diploma of Applied Finance & Investment, Securities Institute, Australia
- Master of Business Administration (Applied Finance & Investment), Universiti Kebangsaan Malaysia
- Capital Markets Services Representative's License, Securities Commission Malaysia
- Leadership Transition Programme, INSEAD, Fontainebleau, France

Amizar started her career with Permodalan Nasional Berhad (PNB) in 1995. In her career over twenty (20) years in PNB, she has served in various capacities and has been involved in diverse aspects of investment management and corporate finance including mergers and acquisitions, corporate restructuring and investment analysis. She is currently the Vice President, Public Equity Department of PNB. Amizar also served as a Director of Chemical Company of Malaysia Berhad.

She is a Director of DAPAT VISTA (M) Sdn Bhd, a subsidiary of HeiTech Padu Berhad.

PROFILE OF DIRECTORS

DATUK MOHD RADZIF BIN MOHD YUNUS

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Malaysian / Male / 61
Appointed on 21 September 2018
Number of Board Meetings Attended in the Financial Year: 1/1

Membership of Board Committee
- Nomination and Remuneration Committee

QUALIFICATIONS:

- Bachelors in Applied Science Property Resource Management with Finance, University of South Australia
- Diploma in Land Survey, University Technology Malaysia
- Registered Valuer and Real Estate Professional, Board of Valuers Malaysia

Datuk Mohd Radzif started his career as a lecturer in Universiti Teknologi Malaysia (UTM) in 1983. He then joined Perwira Affin Bank and served in various management roles from Manager to Assistant General Manager. Datuk Mohd Radzif was also previously Chief Executive Officer of TH NSTC Sdn Bhd, TH Properties Sdn Bhd and Shapadu Properties Sdn Bhd between 1992 to 2003. In 2003, he was appointed as the Chief Executive Officer of Institut Jantung Negara Sdn Bhd (IJN) and subsequently as the Group Managing Director of IJN Holdings Sdn Bhd. Datuk Mohd Radzif left IJN Holdings Sdn Bhd to join SME Development Bank as Managing Director before retiring in his last position as Group Managing Director of SME Bank in 2017.His diversified experiences comes from his involvement in different industries such as construction, property development, real estate development, project management, highway concession, healthcare and banking.

Datuk Mohd Radzif was also Chairman of Association of Development Finance Institutions of Malaysia (ADFIM) and Vice Chairman of Association of National Development Finance Institutions in Member Countries of The Islamic Development Bank (ADFIMI). He was accorded the Outstanding CEO Award in 2016 by the Association of Development Financial Institution Asia Pacific. He currently sits on the boards of CCM Duopharma Biotech Berhad and Bina Darulaman Berhad.

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

PROFILE OF DIRECTORS

HARRIS BIN ISMAIL

EXECUTIVE DIRECTOR

Malaysian / Male / 58
Appointed on 1 January 2019
Number of Board Meetings Attended in the Financial Year: N/A

QUALIFICATIONS:

- Master in Business Administration, Southern California University, USA

Prior to joining HeiTech Group in 2000, Harris was involved in various industries including finance and securities, manufacturing, construction and educational services. He started his career in HeiTech Group as Business Strategist in Padusoft Sdn Bhd, previously a wholly-owned subsidiary of HeiTech. He was later appointed as Senior Vice President for Corporate Development of HeiTech in 2005 and was later in charge of the non-core IT business in 2006. 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.

Harris was appointed as Group CEO of HeiTech from 2011 until 2018.

On 1 January 2019, Harris was appointed as Executive Director and sits on the Board of HeiTech Padu Berhad.

He holds a number of directorship within HeiTech Group.

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

Malaysian / Female

QUALIFICATIONS:

- Bachelor of Business Administration (Finance), International Islamic University Malaysia
- Graduated from The Institute of Chartered Secretaries & Administration (UK)

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

AMIR ZAHINI BIN SAHRIM

Malaysian / Male

QUALIFICATIONS:

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

Amir Zahini was appointed as Joint Company Secretary on 1 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 privatization projects and venture capital.

PROFILE OF EXECUTIVE MANAGEMENT COUNCIL

DATO’ SRI MOHD HILMEY BIN MOHD TAIB

PRESIDENT/EXECUTIVE DEPUTY CHAIRMAN

Dato’ Sri Mohd Hilmey’s profile is contained in the “Profile of Directors” section as set out on page 51 of this Annual Report.

HARRIS BIN ISMAIL

EXECUTIVE DIRECTOR, AND HEAD CORE 3

Harris’s profile is contained in the “Profile of Directors” section as set out on page 58 of this Annual Report.

AHMAD NASRUL HAKIM BIN MOHD ZAINI

EXECUTIVE VICE PRESIDENT GROUP CHIEF FINANCIAL OFFICER

Malaysian / Male / 43

QUALIFICATIONS:

- Bachelor of Commerce (Accounting), University of New South Wales, Sydney, Australia
- Chartered Accountant
- Member of Malaysian Institute of Accountants (MIA)
- Member of CPA Australia

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

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

He holds a number of directorship within HeiTech Group.

PROFILE OF EXECUTIVE MANAGEMENT COUNCIL

SALMI NADIA BINTI MOHD HILMEY

EXECUTIVE VICE PRESIDENT,
RISK MANAGEMENT AND CORPORATE SERVICES, HEAD CORE 2

Malaysian / Female / 37

QUALIFICATIONS:

- Bachelor of Arts (B.A), Finance, Accounting and Management, University of Nottingham, United Kingdom
- Masters of Science (Msc) in Management and Information System, Nottingham Trent University, United Kingdom

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

In January 2016, she was appointed as Executive Vice President, Risk Management and Corporate Services. Salmi Nadia was appointed as the Head of Core 2, to lead more than ten (10) subsidiary companies in HeiTech Group in September 2018. The companies include Inter-City (M) MPC Sdn Bhd, Motordata Research Consortium Sdn Bhd, HeiTech Defence System Sdn Bhd and Cinix 1 Pty Ltd.

She holds a number of directorship within HeiTech Group.

ABDUL HALIM BIN MD LASSIM

EXECUTIVE VICE PRESIDENT AND
CHIEF EXECUTIVE OFFICER OF CORE 1

Malaysian / Male / 47

QUALIFICATIONS:

- Bachelor of Arts (B.A) in Social Studies in Accountancy Studies, University of Exeter, United Kingdom
- Chartered Accountant, Member of Malaysian Institute of Accountants (MIA)
- Certified Public Accountant, Member of Malaysian Institute of Certified Public Accountants (MICPA)

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

In September 2018, Abdul Halim was appointed as the CEO of PSG Data Sdn Bhd, which made him the CEO for all companies under Core 1.

He holds a number of directorship within HeiTech Group.

PROFILE OF EXECUTIVE MANAGEMENT COUNCIL

NORAZLINA BINTI ABDUL LATIFF

VICE PRESIDENT, PROJECT DELIVERY, PSG DATA SDN BHD

Malaysian / Female / 57

QUALIFICATIONS:

- Bachelor of Science (BSc) in Computer Science & Mathematical, Queen Mary University of London, United Kingdom
- Certified Trainer (Human Resource Development Fund, Ministry of Human Resources Malaysia)
- Certified Project Management Professional (PMP), Project Management Institute, Pennsylvania, USA

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

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

DR. NOR HAZILAWATI BINTI AWANG

CHIEF OPERATING OFFICER, HEITECH I-SOLUTIONS SDN BHD (HiS) AND CHIEF DIGITAL OFFICER, HEITECH MANAGED SERVICES SDN BHD (HMS)

Malaysian / Female / 46

QUALIFICATIONS:

- Bachelor(BSc. Hons) in Computer Studies, Liverpool John Moores University, United Kingdom
- Master of Science (Msc) in Realtime Software Engineering, Universiti Teknologi Malaysia
- PhD (Computer Science), Universiti Teknologi Malaysia

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

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

STATEMENT OF CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS ACKNOWLEDGED THE IMPORTANCE OF PRINCIPLES AND RECOMMENDATIONS AS PROMULGATED BY MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 ("THE CODE") IN ORDER TO CONTINUOUSLY DELIVER THE SUSTAINABLE PERFORMANCE FOR THE BENEFIT OF SHAREHOLDERS AND MAINTAINING STANDARDS OF CORPORATE GOVERNANCE IN MANAGING THE BUSINESS AFFAIRS OF THE COMPANY

This statement is prepared in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirement and it is to be read together with the Corporate Governance Report 2018 of the Company (CG Report) which is available on the Company's website at **www.heitech.com.my**

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

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

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

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 PRESIDENT

There is a clear division of responsibility between the Chairman and the President 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 President manages the commercial and operational aspects of the business.

ROLES AND RESPONSIBILITIES OF THE BOARD

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

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

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

CODE OF CONDUCT

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

WHISTLEBLOWING POLICY

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

STATEMENT OF CORPORATE GOVERNANCE

PRINCIPLES 2 – STRENGTHEN COMPOSITION OF THE BOARD

At present, the Board consists of nine (9) members, all of whom are non-executive, except for Executive Deputy Chairman and Executive Director. Of the seven (7) non-executive Directors, five (5) are Independent Directors. The composition fulfils the requirements set out under the Main Market Listing Requirement ("MMLR") of Bursa Securities which stipulates that at least two (2) Directors or one-third of the Board, whichever is higher, must be independent.

BOARD COMMITTEES

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

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

Members of these committees comply with the criteria for independence provided under the MMLR of Bursa Malaysia. Every committee has a separate and defined written charter and terms of reference which has been approved by the Board, describing the committee's authorities and responsibilities. The Chairperson of each committee reports on items discussed and action taken at their meetings to the Board, after the conclusion of each meeting.

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

GENDER DIVERSITY POLICY

The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG 2017 to establish boardroom and workforce gender diversity policy.

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 Board currently has two female Directors which the Board is of the view, is in line with the gender diversity recommended by MCCG 2017 and also taken into consideration, the background and qualifications of the Directors.

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

A) AUDIT COMMITTEE

The present members of the Audit Committee are:

Members	Status	Attendance
Dato' Haji Ghazali bin Awang (Chairman)	Independent Non-Executive	7/7
Wan Ainol Zilan binti Abdul Rahim	Independent Non-Executive	7/7
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor (appointed w.e.f 21.9.2018)	Independent Non-Executive	1/1
Syed Agel bin Syed Salim (resigned w.e.f 21.9.2018)	Non-Independent Non-Executive	6/6

Details of the composition, terms of reference and the Audit Committee Report are set out in page 71 to 73 of this Annual Report.

B) NOMINATION COMMITTEE AND REMUNERATION COMMITTEE

Members	Status	Attendance
Dato' Haji Ghazali bin Awang (Chairman)	Independent Non-Executive	4/4
Sulaiman Hew bin Abdullah	Independent Non-Executive	4/4
Datuk Mohd Radzif bin Mohd Yunus (appointed w.e.f 21.9.2018)	Non-Independent Non-Executive	1/1
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor (appointed w.e.f 21.9.2018)	Independent Non-Executive	3/3

The Nomination and Remuneration Committee ("NCRC") is empowered to review and make recommendations to the Board in identifying suitable candidates for Directors, President, 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.

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

The other role of the NCRC is to consider and recommend to the Board the remuneration schemes for the Directors, President, CEO and EVP. The NCRC will regularly review and compare the scheme which is benchmarked against the industry. Independent Directors do not receive, directly or indirectly, any consulting, advisory or other compensatory fees from the Company.

DISCLOSURE OF REMUNERATION

The details of the remuneration of the Directors comprising remuneration received from the Group and Company during the financial year are as follows:

	HeiTech Padu Berhad (Company)				Subsidiary Companies		Group
	Consultancy Fee RM	Bonus RM	Meeting Allowances RM	Annual Fees RM	Meeting Allowances RM	Annual Fees RM	Total RM
Directors							
Dato' Sri Mohd Hilmey bin Mohd Taib	1,050,000	0	0	0	23,500	35,000	1,108,500
Datuk Mohd Radzif bin Mohd Yunus	0	0	0	0	1,000	0	1,000
Dato' Haji Ghazali bin Awang	0	0	11,500	30,000	0	0	41,500
Dato' Mohd Fadzli bin Yusof	0	0	8,500	30,000	7,500	30,000	76,000
Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	0	0	4,000	30,000	4,000	0	38,000
Amizar binti Mizuar	0	0	3,000	0	2,000	0	5,000
Sulaiman Hew bin Abdullah	0	0	6,000	30,000	3,000	0	39,000
Wan Ainol Zilan binti Abdul Rahim	0	0	9,000	30,000	3,000	0	42,000
Syed Agel bin Syed Salim (Resigned w.e.f 21.9.2018)	0	0	9,000	30,000	6,000	0	45,000
	GRAND TOTAL						**1,396,000**

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	-	8
950,001 – 1,050,000	-	-
1,050,001 – 1,150,000	-	1

STATEMENT OF CORPORATE GOVERNANCE

C) EMPLOYEE SHARE OPTION SCHEME ("ESOS") COMMITTEE

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

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

D) VOLUNTARY SEPARATION SCHEME ("VSS") COMMITTEE

Members	Status
Dato' Sri Mohd Hilmey bin Mohd Taib (Chairman)	Non-Independent Executive
Dato' Haji Ghazali bin Awang	Independent Non-Executive

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

E) RISK MANAGEMENT COMMITTEE ("RMC")

Members	Status	No of Meeting
Dato' Mohd Fadzli bin Yusof (Chairman)	Independent Non-Executive	4/4
Sulaiman Hew bin Abdullah	Independent Non-Executive	4/4
Amizar binti Mizuar	Non Independent Non-Executive	3/4

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 Group Chief Risk Officer implements the Risk Management Framework and Policy for the Group and reports to the RMC on quarterly basis. The report is then shared with the Board Members for further deliberation and action to be taken.

BOARD CHARTER

The Board's roles and responsibilities, as stated earlier are set forth in the Terms of Reference ("TOR" or "Charter") for the year under review. This document 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 Group. Some of the salient features of the Charter would be the protocol for accepting new directorships, the division of responsibilities and powers between the Board and the Management, the Chairman and the President 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 as well as the Management performance.

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

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

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

The Board is cognisance of the MCCG 2017's recommendations on the tenure of an Independent Director that should not exceed a cumulative term of nine (9) years. For the year under review, three (3) Directors have reached cumulative terms of more than 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 through a two-tier voting process in the forthcoming AGM for the following three (3) Directors to continue to act as Independent Non- Executive Directors of the Company:

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

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

PRINCIPLE 4 – FOSTER COMMITMENT

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

No	Name of Directors	Designation	90th 27 Feb	91st 31 May	92nd 30 Aug	93rd 29 Nov	SP1 09 Apr	Attendance
1	Dato' Sri Mohd Hilmey bin Mohd. Taib	Chairman	/	/	/	/	/	5/5
2	Dato' Haji Ghazali bin Awang	Independent Non-Executive Director	/	/	/	/	/	5/5
3	Dato' Mohd. Fadzli bin Yusof	Independent Non-Executive Director	/	/	/	/	/	5/5
4	Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor	Independent Non-Executive Director	/	/	/	/	/	5/5
5	Datuk Mohd Radzif bin Mohd Yunus (appointed w.e.f 21 September 2018)	Non-Independent Non-Executive Director	NA	NA	NA	/	NA	1/1
6	Sulaiman Hew bin Abdullah	Independent Non-Executive Director	/	/	/	/	-	4/5
7	Wan Ainol Zilan binti Abdul Rahim	Independent Non-Executive Director	/	/	/	/	/	5/5
8	Amizar binti Mizuar	Non-Independent Non-Executive Director	X	/	/	/	/	4/5
9	Syed Agel bin Syed Salim (resigned w.e.f 21.9.2018)	Non-Independent Non-Executive Director	/	/	/	NA	/	4/4

STATEMENT OF CORPORATE GOVERNANCE

CONDUCT OF MEETINGS (BOARD AGENDA)

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

ACCESS TO INFORMATION AND ADVICES

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

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

DIRECTORS' TRAINING

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

During the financial year 2018, the Directors had attended various training programmes relevant to their duties and responsibilities. Among the trainings that they had attended are:-

- Design Thinking – What Can Accountants Learn From It.
- The New Way of Doing Business In Malaysia – Chemical Company of Malaysia Berhad
- AMLATFPUAA 2001 : The Law, Compliance & Case Studies
- Anti – Money Laundering, Anti Terrorism Financing & Proceeds of Unlawful Activities Act 2001: Risk, Challenges & Vulnerabilities Towards Risk Based Approach
- Global Trends & Market Strategy - (Economic Prospects & Strategic Investment Decision 2019 Beyond)

GROUP COMPANY SECRETARY

Every Director has ready and unrestricted access to the advice and the services of the Company Secretaries in ensuring the effective functioning of the Board. The Company Secretaries ensure that Board policies and procedures are both followed and reviewed regularly. The Directors were also regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements issued by regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities. The Company Secretaries also ensure that the Group complies with the relevant statutory and regulatory requirements and the deliberations at the Board and committees Meetings are 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 Group via the Audit Committee's scrutiny, complies with the requirement applicable under the Malaysian Approved Accounting Standards Board in preparing the annual and quarterly financial statements. The Audit Committee ensures that the financial and statutory compliance aspects of the audited financial statements and adherence to internal policies and procedures prior to full deliberation at the Board level are strictly followed.

EXTERNAL AUDITORS

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

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

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

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

The statement of the Company on risk management and internal control system is set out in the Statement on Risk Management and Internal Control on pages 74 in this Annual Report.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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

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

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

SUSTAINABILITY

The Group is committed to sustainability development. The sustainability objective of the Group is to balance the shareholders' value, the welfare of employees, community and environment in which it operates. Employees' welfare and community services were carried out and organised in several occasions during the financial year. Further details of CSR and sustainability initiatives and activities are set out in Corporate Social Responsibility Statement on page 26 of this Annual Report.

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

ANNUAL GENERAL MEETING

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

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

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 24th Annual General Meeting.

INVESTORS RELATIONS

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

i) **Siti Shahwana binti Abdul Hamid**
(Group Company Secretary)
- Tel: 03 8601 3000 or shahwana@heitech.com.my

ii) **Amir Zahini bin Sahrim**
(Joint Company Secretary)
- Tel: 03 8601 3000 or amir.smartbc@gmail.com

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 2018 save as explained above. This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 9th April 2019.

STATEMENT OF CORPORATE GOVERNANCE

ADDITIONAL COMPLIANCE INFORMATION

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

i) **Options, Warrants or Convertible Securities**
The Group did not issue any options, warrants or convertible securities during the financial year under review.

ii) **Imposition of Sanction/ Penalties**
There were no sanctions and/or penalties imposed on the Group and/or its subsidiary companies, Directors or Management arising from any significant breach of rules/ guidelines/legislation by the relevant regulatory bodies during the financial year ended 31 December 2018.

iii) **Material Contracts**
Neither Group and/or its subsidiary companies had entered into any material contracts which involved Directors' and major shareholders' interest during the financial year ended 31 December 2018, save as disclosed under Disclosure to BMSB on pages 80 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 FY2018 are as follows:-

	Group (RM)	Company (RM)
Audit fees	459,500	274,000
Non-audit fees	15,000	15,000
Total	474,500	289,000

v) **Profit Guarantee**
There was no profit guarantee given by the Group during the financial year ended 31 December 2018.

vi) **Share Buy Back**
There was no share buy back exercise done during the financial year ended 31 December 2018.

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 2018 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, all of them are independent. The composition of the Committee includes members of the Malaysian Institute of Accountants ("MIA") as prescribed in the Accountants Act 1967. Therefore, the requirement of paragraph 15.09(1) of the Listing Requirements of BMSB has been complied with.

The Committee has met seven (7) times during the financial year ended 31 December 2018. The composition of the Committee and the details of their attendance are as follows:

DATO' HAJI GHAZALI BIN AWANG
(Chairman of the Committee)
(Independent Non-Executive Director)
7 out of 7

SYED AGEL BIN SYED SALIM
(Resigned w.e.f. 21.09.2018)
(Non-Independent Non-Executive Director)
6 out of 6

WAN AINOL ZILAN BINTI ABDUL RAHIM
(Independent Non-Executive Director)
7 out of 7

TAN SRI DATO' SRI ABI MUSA ASA'ARI BIN MOHAMED NOR
(Appointed w.e.f. 21.09.2018)
(Independent Non-Executive Director)
1 out of 1

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

TERMS OF REFERENCE OF THE COMMITTEE

The Terms of Reference of the Committee are accessible for reference by the public through HeiTech website at **www.heitech.com.my.**

SUMMARY OF WORK OF THE COMMITTEE

During the financial year ended 31 December 2018, the Committee has carried out the following tasks:

(a) Financial Reporting

(i) Reviewed the quarterly financial results prior to recommending for consideration and approval by the Board of Directors;
(ii) Reviewed the annual audited financial statements to ensure compliance with the Listing Requirements of the BMSB, applicable approved accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board of Directors;
(iii) Reviewed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements; and
(iv) Obtained assurance from the Group Chief Executive Officer and Chief Financial Officer that:
- 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 2018.

(b) Internal Audit

During the year, the Committee:

(i) Reviewed and approved the 2018 Annual Internal Audit Plan;

AUDIT COMMITTEE REPORT

(ii) Reviewed and approved the 2018 KRA/KPIs for the Internal Audit;
(iii) Reviewed and deliberated the Internal Audit reports on significant issues and audit findings, audit recommendations, and management responses and 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 for approval on the followings:

(i) The External Auditor's 2018 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 Auditor's management letter to the Management, Management's response and External Auditor's 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 Auditor's report on Directors' Statement on Risk Management and Internal Control ("SORMIC").

The Committee met with the External Auditors three (3) times in year 2018, of which were held in the absence of Management on 22 February 2018 at 79th Audit Committee Meeting, 05 April 2018 at Special Audit Committee Meeting No. 02/2018 and 26 November 2018 at 82nd 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 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 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 2018 for inclusion in the 2018 Annual Report to ensure that they were prepared in compliance with relevant regulatory requirements and guidelines.

STATE OF INTERNAL CONTROL

The Statement on Risk Management and Internal Control furnished on pages 74 to 79 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 responsibilities are to evaluate and improve the effectiveness of risk management, internal control and governance processes. This is accomplished through a systematic approach of regular reviews and appraisals of the management, internal control and governance processes based on the audit plan that is approved by the Committee annually. This will provide the Board with assurance it requires regarding the adequacy, integrity and effectiveness of the system of internal control.

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

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

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

A detailed 2018 Annual Internal Audit Plan was presented to the Committee for approval. The Internal Audit function adopts risks-based approach following COSO (Committee of Sponsoring Organisation of The Treadway Commission) as the Control Framework for financial and operational activity, and COBIT (Control Objectives for Information and Related Technology) for IT related audit, and prepares its audit strategy and plan based on the risk profiles of the major business units and support functions of the Group.

AA has a total of 7 staff as at 31 December 2018. The total operation cost of the department for 2018 was RM679,578 comprising of mainly salaries, travelling expenses, administrative and training.

The Internal Audit assignments conducted in 2018 comprising operational and management audit, IT security and infrastructure audit and project management and compliance audit. The audits covered various operational areas, projects undertaken, subsidiary companies and support functions. The corresponding audit reports were presented to the Management and Committee for attention, deliberation and corrective actions.

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

(a) Prepared the 2017 Annual Internal Audit Performance Report for review by the Committee;
(b) Prepared the 2018 KRA/KPIs for approval by the Committee;
(c) Prepared the 2018 Annual Internal Audit Plan for the approval of the Committee;
(d) Implemented the approved 2018 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 training programs for Internal Auditors to enhance their audit skills and knowledge; and
(m) Kept the Committee informed on the progress of audit activities.

This Audit Committee Report is made in accordance with the resolution of the Board of Directors dated 9 April 2019.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

PRINCIPLE B (II) OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 ("CODE") STATES THAT THE BOARD OF DIRECTORS IS RESPONSIBLE FOR THE COMPANY'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS. IT SHOULD SET APPROPRIATE POLICIES ON INTERNAL CONTROL AND SEEK ASSURANCE THAT THE SYSTEMS ARE FUNCTIONING EFFECTIVELY.

In compliance with the provision of Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements Paragraph 15.26 (b) and Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers ("Risk Management and Internal Control Guidance"), HeiTech Padu Berhad's ("HeiTech") Board of Directors ("the Board") is committed to establish a sound risk management framework and internal control system, and is pleased to present the following Statement on Risk Management and Internal Control ("SORMIC"), which illustrates the risk management framework and scope of the internal control structure during the year under review.

BOARD RESPONSIBILITY

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

HeiTech's risk management and internal control systems do not apply to its associated companies and joint controlled entities, which fall within the control of their majority shareholders. The interests of HeiTech are served through representation on the Board of the respective companies. These representations provide the Board with information for strategic decision making in view of the continuity of the Group's investment.

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

RISK MANAGEMENT

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

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

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

HeiTech's risk management framework comprised the following three main components:-

a) Enterprise Risk Management (ERM)

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

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 63 of the Annual Report.

c) Business Continuity Management ("BCM")

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

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

HeiTech Managed Services Sdn. Bhd ("HMS") located at HeiTech Village 2, Bukit Jelutong Shah Alam has been awarded the ISO 22301: 2012 Business Continuity Management System ("BCMS") on 8th June 2018. The objective of HMS BCMS implementation is to ensure HMS is able to continue service delivery subsequent to disruptive incident.

Following best practices, standards and also for business requirement, BCM activities include the followings:

i) BCP Test for HeiTech Village 2;
ii) Disaster Recovery test for internal systems at HeiTech Village 1 & 2;
iii) Network Redundancy Test;
iv) Fire Drill exercise.

Our commitment towards continuous improvement in employee knowledge and skill-set in BCM, following trainings were conducted:

- BCMS Internal Auditor Training & Briefing on Simulation Test;
- BCMS Awareness;
- Basic Search & Rescue; and
- Emergency Response Command Drill.

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:-

CONTROL ENVIRONMENT

CONTROL ACTIVITIES

INFORMATION AND COMMUNICATION

MONITORING

a) Control Environment

i) Board Committee

The Board acknowledges sound governance requires effective interaction among the Board, Management, internal and external auditors. The Board in discharging its responsibilities, is assisted by the following Board Committees that are administered by defined terms of reference:-

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

ii) Board and Management Meetings

- Board meetings review and deliberate the whole spectrum of the Group's business strategies, directions, challenges and financial statements.
- Executive Council meetings set the strategic directions of the Company and review the business operation for all the companies within the Group.
- Investment Committee meeting reviews and deliberate the future investment to be made by HeiTech and recommend to the Risk Management Committee.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- Central Risk Review Committee meetings deliberate risks with the Risk Officers on a quarterly basis. The Committee is also responsible for implementation and improvement of the ERM within HeiTech.
- Project Steering Committee meetings monitor the projects' performance and implementation.
- Central Review Committee meetings review and evaluate business proposals to ensure that strategic solution, strategic pricing and strategic partnership (with customers and various types of partners) are appropriately considered.
- Procurement Committee meetings administer and manage the procurement acquisition processes and approval.
- Management Review Committee meetings review the HeiTech's quality management system to ensure its continuing stability, adequacy, effectiveness and alignment with quality initiative and strategic direction of HeiTech.

iii) 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.

b) Control Activities

i) Policies and Procedures

- The policies and procedures adopted by all support departments under Corporate Service are dully certified under SIRIM MS ISO 9001:2015 and subject to internal quality audit and Annual Surveillance Audit by SIRIM.
- For key business activities such as project management and application development, HeiTech adopts Capability Maturity Model Integration ("CMMI®") as process model framework. All project documentations are stored in the central project repository.
- A systematically documented procedures and process flow are in place to guide employees and also for reference to new employee.

ii) Quality Management Systems, Certification and Standards

- HeiTech maintained its Quality Management System ("QMS") ISO 9001:2015 certifications with SIRIM Berhad, an internationally recognised and accepted certification body. The scope of certification covers:

  - Provision of management and corporate services to the business groups/ operating divisions/ companies of HeiTech Padu Berhad. This include Legal Services, Human Resources Management, Competency Development & Training, Procurement Services, Project Monitoring & Compliance, and Property Management & Administration;
  - Provision of Network Services (front end and back end): WAN Installation and Maintenance Services and LAN Installation and Maintenance Services;
  - Account Management of HeiTech Managed Services Sdn. Bhd;
  - Provision of Help Desk Support Services;
  - Provision of Data Centre Operations for Permodalan Nasional Berhad; and
  - System development project for Ministry of Health (Clinical Documentation for Hospital Raja Permaisuri Bainun Ipoh).
  - System maintenance projects (Immigration Department Malaysia and Road Transport Department).

This certification is subject to Management Certification System which require an annual surveillance audit and re-certification audit every three (3) years by SIRIM Berhad or its Certification body such as SIRIM QAS International.

- 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 Centre Services;
  - Desktop Management Services; and
  - Call Centre 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 Centre Services ("DCS"); and
  - Helpdesk Support Services.

- Achieved and conform to the ISO/IEC 22301:2012 BCMS in 2018 under HMS. The scope of certification covers:

  - Primary functions on the main products and services established by HMS in running the business of providing integrated ICT solutions that include Cloud Services, Business Recovery Management Services ("BRMS"), Wide Area Network ("WAN"), HeiTech IT Outsourcing Services ("HIOS"), Local Area Network and Security Services, Internet Data Centre Services ("IDC"), Infrastructure Management Services and Call Centre Operation Services ("CCO").
  - Supporting functions that include Human Capital Management Services, Finance and Procurement Services, Marketing and Communications Services and Project Management Services.

- The internal quality audits and follow-up audits are scheduled and performed on the QMS, ISMS, SMS and BCMS scopes of certification by our certified Internal Auditors. Besides maintaining compliance over the process and delivery, the internal quality audit activities is also help to improve the internal processes.

- The Data Centre in HeiTech Village 2 is Tier IV ready, in accordance to the Telecommunication Industry Association –Telecommunications Infrastructure Standards (TIA 942) for Data Centres on the following components:

  - Mechanical (cooling system); and
  - Electrical (based on Uptime).

- Achieved Payment Card Industry Data Security Standard ("PCI DSS") certification since January 2017 for services provided by HMS. 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 for technical and operational requirements 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 Qualified Security Assessor Company which is based in USA.

- The Capability Maturity Model Integration ("CMMI®") for Development framework is a globally recognised set of best practices that provides an integrated and holistic approach that allows HeiTech to focus on performance improvement areas for application development. CMMI process compliance assessments are continuously being carried out on a monthly basis to assess the compliance level and necessary action(s) for improvement. In 2018, the CMMI Institute from the United States has successfully reassessed HeiTech to be at CMMI for Development v1.3 Maturity Level 3.

- Achieve Test Maturity Model Integration ("TMMi") certification, assessed at Maturity Level 3 in 2017. The TMMi framework has been developed by the TMMi Foundation as a guideline and reference framework for test process improvement and is positioned as a complementary model to the CMMI®. This framework will govern the testing practices by test managers, software tester and software quality professionals. 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 TMMi Framework. Based on this initiative, HeiTech has come out with Product Evaluation for Compliance Information System ("PRECISE") which encapsulates our software testing process and has been included as one of its structured methodology.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

iii) Defined Business Process and Improvement

Defined business processes are designed to improve the organization's performance, key capabilities, critical business processes and to manage risks that may affect the achievement of business objectives.

HeiTech has developed its own project management and application development processes based on global best practices from the Project Management Institute (PMI) and CMMI Institute in the United States.

The adoption of these structured processes for IT projects, which includes HeiTech's Project Management Information System ("PROMISE") and Application Development Information System ("ADVISE") provides guidance to improve the organization's processes and ability to manage the development, acquisition and maintenance of products and services.

These processes are regularly reviewed and updated to ensure that they conform to changes of technology and the industry.

Defined business processes of HeiTech are available online through its knowledge portal at http://ipractices.heitech.com.my/hdp/

iv) Strategic Planning

- Prepare business plan of HeiTech and consolidates business plan for all HeiTech Group of Companies. The business plan will be presented, deliberated and approved by the Board of HeiTech.
- Reviews and consolidates the Operational Masterplan for all HeiTech Group of Companies that will monitor and review the Company's performance to ensure that they will meet the target.

v) Limits of Authority

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

vi) Whistleblowing Policy and Guidelines

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

c) Information and Communication

The Group has established and utilised various communication channels to effectively disseminate key messages in a timely manner and to the right audience. Among the communications channels established are staff portal and internal newsletter for internal communications, town hall as well as annual report, corporate website, investor relation portal, print and electronic media for external communications.

A Corporate Communications Policy sets the direction for effective information dissemination and to ensure that communications across the Group is effectively managed and controlled to fulfil the needs of the organisation and stakeholders.

d) Monitoring

i) Internal Audit (Audit & Assurance Department)

- The internal audit function in HeiTech is carried out by the Audit & Assurance Department ("AA"). AA operates independently and reports directly to the Audit Committee. In providing independent and impartial appraisal, the internal auditors are given full, free and unrestricted access to all records, information and other relevant resources within the Group.
- AA provides independent assessment on HeiTech's internal control systems and attends ad-hoc audit review as and when requested by the Audit Committee and Management. The results of all audit exercises including follow up audit report will be tabled and deliberated in the Audit Committee Meeting.
- Defined KRA/KPIs for the AA was established to manage and oversee the Group operational, strategic and compliance auditing activities during the year under review.
- Details on the activities undertaken by AA are set out in the Audit Committee Report on page 71.

ii) Legal and Regulatory Compliance

Guided by HeiTech's core values and enhanced code of conduct, the Legal Department is fully committed to ensuring that compliance is a central pillar of the management and an integral part of HeiTech's corporate culture and business processes. The Company pledges to do business the right way and comply with all applicable laws and regulations, be it domestically or globally. We strive to achieve outstanding performance, whilst maintaining the highest level of ethical integrity. The tone on regulatory compliance is clear and consistently reiterated from the top of the organisation.

The Legal Department has internal policies, processes, rules and procedures in monitoring among others, the practices and performances of contractual formulation and review; ultimately and effectively continuing its efforts to minimize risks towards the Company's business operations

iii) Project Monitoring and Compliance

The Project Monitoring and Compliance ("PMC")Department keeps track of all project-related metrics including team performance and task duration, identifying potential problems and identifying corrective actions necessary to ensure that the project is within scope, on budget and meets the specified deadlines. PMC oversees all tasks and activities and ensures they are being implemented as planned. This is done by reviewing and analysing Monthly Project Reports submitted by the project teams in the organization. These are then summarised into an Executive Management Report and escalated to the management as information on the health of the projects and further action, where applicable.

The department also closely monitors project process compliance by analysing project deliverables to ensure completeness and conformity to HeiTech's defined processes and CMMI for Development framework. This activity is carried out on a monthly basis. The findings are then be shared with the project teams via the Process Compliance Report ("PCR") for further corrective action or process improvement.

iv) Human Capital Development and Training

The process of developing human capital and training are driven by assessing individual employees' performance and competencies against required competencies, skills, behaviour and attitude. The Performance Management and Development Review policy and procedure is established to ensure good performance management and continuous improvement through the ongoing appraisal and development of the employees.

The policy and procedures set the guidelines where the employees' performances are assessed via Key Performance Indicator ("KPI") using Balanced Scorecard ("BSC") and Competency Assessment & Development ("CAD"). The BSC is defined from top-down where business objectives are clearly specified and targets are set for individual employee. The individual employees' competencies are appraised through online using CAD System. The CAD assessment indicates the competency level of individual employee against the required competency.

The outcomes of individual employees' CAD determines the competency gaps which will trigger the required training and development program to address the gaps. HeiTech's training and development programs are planned and executed annually, guided by Competency Development policy.

ASSURANCE FROM MANAGEMENT AND INDEPENDENT REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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 29 April 2019.

DISCLOSURE TO BURSA MALAYSIA

No.	Date	Announcement
1.	05 Mar 2019	Acceptance on The Letter of Award (LOA) for Development and Integration of Scheme Management Application System for Pertubuhan Keselamatan Sosial (PERKESO)
2.	28 Feb 2019	Quarterly rpt on consolidated results for the financial period ended 31/12/2018
3.	21 Feb 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
4.	18 Feb 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
5.	15 Feb 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
6.	13 Feb 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
7.	11 Feb 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
8.	08 Feb 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
9.	07 Feb 2019	Acceptance on The Letter of Award (LOA) to Renew the Software License for Mainframe Systems of Lembaga Hasil Dalam Negeri Malaysia (LHDN) (Amended Announcement)
10.	31 Jan 2019	Acceptance on The Letter of Award (LOA) to Renew the Software License for Mainframe Systems of Lembaga Hasil Dalam Negeri Malaysia (LHDN)
11.	30 Jan 2019	Changes in Director's Interest (Section 219 of CA 2016) - DATO' SRI MOHD HILMEY BIN MOHD TAIB (Amended Announcement)
12.	30 Jan 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - DATO' SRI MOHD HILMEY BIN MOHD TAIB (Amended Announcement)
13.	30 Jan 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
14.	29 Jan 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - PERMODALAN NASIONAL BERHAD
15.	28 Jan 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - DATO' SRI MOHD HILMEY BIN MOHD TAIB
16.	28 Jan 2019	Changes in Director's Interest (Section 219 of CA 2016) - DATO' SRI MOHD HILMEY BIN MOHD TAIB
17.	25 Jan 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - DATO' SRI MOHD HILMEY BIN MOHD TAIB
18.	25 Jan 2019	Changes in Director's Interest (Section 219 of CA 2016) - DATO' SRI MOHD HILMEY BIN MOHD TAIB
19.	24 Jan 2019	The Star Online Article Dated 18th January 2019 Entitled "Quick Take: HeiTech Padu Jumps 25% on Foray Into Govt E-Services"
20.	24 Jan 2019	Changes in Director's Interest (Section 219 of CA 2016) - DATO' SRI MOHD HILMEY BIN MOHD TAIB

DISCLOSURE TO BURSA MALAYSIA

No.	Date	Announcement
21.	24 Jan 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - DATO' SRI MOHD HILMEY BIN MOHD TAIB
22.	22 Jan 2019	Acceptance on The Letter of Award (LOA) for Supplying, Transmitting, Installing, Configuring, Testing and Commissioning of Critical Care Information System (CCIS) in Intensive Care Unit for 11 Hospitals Under The Ministry of Health
23.	31 Dec 2018	Change in Boardroom - ENCIK HARRIS BIN ISMAIL
24.	31 Dec 2018	Change in Boardroom - DATO' SRI MOHD HILMEY BIN MOHD TAIB
25.	31 Dec 2018	Change in Boardroom - TAN SRI DATO' SRI ABI MUSA ASA'ARI BIN MOHAMED NOR
26.	30 Nov 2018	Quarterly rpt on consolidated results for the financial period ended 30/09/2018 (Amended Announcement)
27.	29 Nov 2018	Quarterly rpt on consolidated results for the financial period ended 30/09/2018
28.	21 Sep 2018	Change in Audit Committee - TAN SRI DATO' SRI ABI MUSA ASA'ARI BIN MOHAMED NOR
29.	21 Sep 2018	Change in Boardroom - TUAN SYED AGEL BIN SYED SALIM
30.	21 Sep 2018	Change in Boardroom - DATUK MOHD RADZIF BIN MOHD YUNUS
31.	21 Sep 2018	Change in Audit Committee - TUAN SYED AGEL BIN SYED SALIM
32.	21 Sep 2018	Change in Nomination Committee - TAN SRI DATO' SRI ABI MUSA ASA'ARI BIN MOHAMED NOR
33.	21 Sep 2018	Change in Nomination Committee - DATUK MOHD RADZIF BIN MOHD YUNUS
34.	30 Aug 2018	Quarterly rpt on consolidated results for the financial period ended 30/06/2018
35.	28 Jun 2018	General Meetings: Outcome of Meeting
36.	06 Jun 2018	General Meetings: Notice of Meeting (Amended Announcement)
37.	31 May 2018	Quarterly rpt on consolidated results for the financial period ended 31/03/2018
38.	30 Apr 2018	General Meetings: Notice of Meeting
39.	27 Apr 2018	Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.
40.	27 Apr 2018	Annual Audited Accounts - 31 Dec 2017
41.	09 Apr 2018	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.

Integrity

- ACCOUNTABILITY
- TRUSTWORTHY
- FAIRNESS

OUR FINANCIAL STATEMENTS

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

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 RM'000	Company RM'000
Loss for the year	(36,786)	(9,606)
Loss attributable to:		
Owners of the parent	(27,064)	(9,606)
Non-controlling interests	(9,722)	-
	(36,786)	(9,606)

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.

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

DIRECTORS' REPORT

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:

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor**	
Dato' Sri Mohd Hilmey bin Mohd Taib**	
Dato' Haji Ghazali bin Awang**	
Dato' Mohd Fadzli bin Yusof**	
Sulaiman Hew bin Abdullah**	
Wan Ainol Zilan binti Abdul Rahim**	
Amizar Binti Mizuar**	
Datuk Mohd Radzif Bin Mohd Yunus	(Appointed on 21 September 2018)
Harris Bin Ismail	(Appointed on 1 January 2019)
Tuan Syed Agel bin Syed Salim**	(Resigned on 21 September 2018)

** *These directors are also the directors of certain subsidiaries of the Company.*

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

Abdul Halim bin Md. Lassim
Abdul Rahim bin Osman
Abdullah bin Ahmad
Ahmad Fathony Zakaria
Mohd Din bin Merican
Sharkawi bin Alis
Zohan Zuki Bin Mohd Zuki
Ahmad Nasrul Hakim bin Mohd Zaini
Azhar Bin Ismail
Darren Cheong Ming Hoe
Harris Bin Ismail
Iwan Wirawan
Mamat Ariffin bin Abdullah
Omar bin Che Mad
Safiee bin Mohammad
Salmi Nadia binti Mohd Hilmey

DIRECTORS' BENEFITS

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

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

DIRECTORS' BENEFITS (CONT'D.)

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Fees	338	239
Other emoluments	1,072	1,050
Benefits-in-kind	71	71
	1,481	1,360

Indeminity and insurance for directors and officers

The Company maintains on a Group basis, a directors' and officers' liability insurance for any legal liability incurred by the directors or officers in the discharge of their duties while holding office for the Group and the Company. The total amount of sum insured for directors and officers of the Group for the financial year amounted to RM35,000,000. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. No payment has been made to indemnify the directors or officers for the financial year ended 31 December 2018.

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	1 January 2018	Bought	Sold	31 December 2018
The Company				
Direct interest				
Dato' Sri Mohd Hilmey bin Mohd Taib	**7,820,184**	**-**	**-**	**7,820,184**
Indirect interest*				
Dato' Sri Mohd Hilmey bin Mohd Taib	**30,330,000**	**-**		**30,330,000**

** 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 shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT

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 which would render:

   (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts 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.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 36 to the financial statements.

AUDITORS

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Hanafiah Raslan & Mohamad	475	289
Other auditors	105	-
	580	289

To the extent permitted by law, the Company has agreed to indemnify its auditors, Hanafiah Raslan & Mohamad, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Hanafiah Raslan & Mohamad for the financial year ended 31 December 2018.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 April 2019.

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor

Dato' Haji Ghazali bin Awang

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor and Dato' Haji Ghazali bin Awang, being two of the directors of HeiTech Padu Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 95 to 185 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 April 2019.

Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor

Dato' Haji Ghazali bin Awang

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Ahmad Nasrul Hakim bin Mohd Zaini, being the officer primarily responsible for the financial management of HeiTech Padu Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 95 to 185 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed Ahmad Nasrul Hakim bin Mohd Zaini
at Kuala Lumpur in Wilayah Persekutuan
on 29 April 2019

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 2018 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 95 to 185.

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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key Audit Matters

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HEITECH PADU BERHAD (INCORPORATED IN MALAYSIA)

Key Audit Matters (cont'd.)

Revenue recognition

In accordance with MFRS 15 Revenue from Contracts with Customers, the analysis of whether the contracts comprise one or more performance obligations, allocation of transaction prices to one or more performance obligations and the determination whether the performance obligations are satisfied over time or at a point in time are areas requiring significant management judgement. There is a risk of error in the measurement and timing of revenue recognition due to either inappropriate assessment of the performance obligations and/or inaccurate allocation of transaction price to various performance obligations. Furthermore, significant judgement is required in estimating the cost to complete the performance obligation satisfied over time using the input method.

To address this area of audit focus, our procedures included, amongst others:

- Obtained an understanding of the design of the internal controls over the accuracy and timing of revenue recognition and tested the operating effectiveness of these controls;
- Reviewed significant long-term contracts with customers and agreed that the performance obligations stipulated in those contracts are properly identified;
- Evaluated the transaction price by agreeing the contract revenue to the signed contracts with customers, approved variation order and/or purchase orders from customers;
- Evaluated whether the allocation of the transaction price to the respective performance obligations are properly performed by making reference to observable stand-alone selling prices;
- Evaluated the appropriateness of the timing of revenue recognition based on the transfer of control of the related goods or services to the customer;
- Assessed the appropriateness of the assumptions applied in measuring the progress towards satisfying performance obligation over time of significant contracts including estimates of the total contract cost. We examined documentary evidences such as letter of award issued to sub-contractors and quotations from suppliers. We also considered the historical accuracy of management's budget for similar contracts in making the assessment.

Refer to the disclosures of revenue and contract assets/(liabilities) in Note 2.26, Note 3.1(c), Note 3.2(c), Note 4 and Note 19 to the financial statements respectively.

Impairment of intangible assets and property, plant and equipment

The Group recorded continued losses since the previous financial year and as at the end of the financial year, the carrying amount of the net assets of the Group exceeded its market capitalisation indicating that the carrying amount of the Group's intangible assets and property, plant and equipment may be impaired.

In accordance with MFRS 136: Impairment of Assets, the Group and the Company is required to perform impairment test for its cash generating unit ("CGU") whenever there is an indication that the CGU may be impaired by comparing the carrying amount with its recoverable amount. Recoverable amount is defined as the higher of fair value less cost of disposal ("FVLCD") and value-in-use ("VIU"). The standard also requires goodwill to be allocated to the respective CGUs and tested for impairment annually.

The Group allocated its goodwill to 4 CGUs and estimated the recoverable amount of all its CGUs based on VIU method, except for one CGU which was based on FVLCD. Significant estimates are required in estimating the inputs to the VIU models. The inputs which have the most significant impact on the CGUs' recoverable amount include projected revenue growth, operating margins and operating cash flows for 5 years, long-term growth rates and pre-tax discount rates. The Group relied on management expert to determine the recoverable amount based on fair value less costs of disposal.

Key Audit Matters (cont'd.)

Impairment of intangible assets and property, plant and equipment (cont'd.)

Arising from the impairment testing, the Group recognised impairment loss on its intangible assets and property, plant and equipment of RM13,556,000 and RM736,000 respectively.

We considered this as an area of audit focus because the assessment process is based on assumptions and estimates that are judgmental. Further, the impairment loss recognised is material to the financial statements of the Group and of the Company.

In reviewing the impairment assessments based on VIU model, our procedures included, amongst others:

- Challenged the key assumptions used in the projected revenue growth and operating margins by comparing to the actual revenue growth and operating margins in previous years and trend analysis;
- Assessed the reliability of the cash flow projections by assessing the historical accuracy of management's estimates of profits (and the resulting cash flows) for the respective CGUs in previous years;
- Assessed the reasonableness of the discount rates and long-term growth rates used by management by comparing the discount rates used to entities with similar risk profiles and market information and the appropriateness of the model used with the support of valuation experts;
- Performed sensitivity analysis on the key inputs of the cash flow projections and challenged management on the outcome of the assessment; and
- Assessed the appropriateness of the disclosures in the notes to the financial statements.

In reviewing the impairment assessment based on FVLCD, our procedures included, amongst others:

- Evaluated the objectivity, independence and expertise of the management expert; and
- Evaluated the appropriateness of the work of the management expert. We corroborated the expert's work, tested source data and reviewed the expert's report and conclusion.

Refer to the disclosures of intangible assets and property, plant and equipment in Note 14 and Note 13 to the financial statements respectively.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HEITECH PADU BERHAD (INCORPORATED IN MALAYSIA)

Key Audit Matters (cont'd.)

Information other than the financial statements and auditors' report thereon

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 Annual Report 2018, 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 and will 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 identified above 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 Annual Report 2018, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HEITECH PADU BERHAD (INCORPORATED IN MALAYSIA)

Key Audit Matters (cont'd.)

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

- 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HEITECH PADU BERHAD (INCORPORATED IN MALAYSIA)

Report on Other Legal and Regulatory Requirements

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

Other matters

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

Hanafiah Raslan & Mohamad
AF: 0002
Chartered Accountants

Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No. 01759/02/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
29 April 2019

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Revenue	4	**379,446**	426,872	**253,465**	305,902
Other income	5	**18,066**	8,448	**24,813**	18,576
Employee benefits expense	6	**(85,389)**	(100,579)	**(14,262)**	(13,711)
Purchase of hardware and software		**(26,691)**	(67,529)	**(20,769)**	(25,123)
Lease line rental		**(29,903)**	(32,356)	**(51,367)**	(54,608)
Maintenance costs		**(42,920)**	(51,872)	**(89,478)**	(134,468)
Bulk mailing processing charges		**(12,249)**	(13,043)	**-**	-
Project implementation costs		**(141,956)**	(105,904)	**(33,757)**	(82,463)
Depreciation and amortisation	9	**(19,215)**	(12,678)	**(17,060)**	(8,811)
Other expenses		**(61,681)**	(52,541)	**(50,880)**	(11,045)
Finance costs	8	**(11,242)**	(13,303)	**(10,311)**	(12,401)
Share of results of associates		**(2,697)**	(56)	**-**	-
Loss before tax	9	**(36,431)**	(14,541)	**(9,606)**	(18,152)
Income tax expense	10	**(355)**	(805)	**-**	-
Loss for the year		**(36,786)**	(15,346)	**(9,606)**	(18,152)
Loss attributable to:					
Owners of the parent		**(27,064)**	(13,998)	**(9,606)**	(18,152)
Non-controlling interests		**(9,722)**	(1,348)	**-**	-
		(36,786)	(15,346)	**(9,606)**	(18,152)
Loss per share attributable to owners of the parent (sen per share):					
Basic / diluted	12	**(26.74)**	(13.83)		

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loss for the year		**(36,786)**	(15,346)	**(9,606)**	(18,152)
Other comprehensive loss					
Items that may be reclassified to profit or loss in subsequent periods (net of tax):					
Exchange difference on translation of foreign operations		**(770)**	(994)	**-**	-
Total comprehensive loss for the year		**(37,556)**	(16,340)	**(9,606)**	(18,152)
Total comprehensive loss attributable to:					
Owners of the parent		**(27,756)**	(14,992)	**(9,606)**	(18,152)
Non-controlling interests		**(9,800)**	(1,348)	**-**	-
		(37,556)	(16,340)	**(9,606)**	(18,152)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	**64,655**	50,705	**53,884**	38,437
Intangible assets	14	**10,155**	22,448	**-**	-
Investments in subsidiaries	15	**-**	-	**42,269**	42,373
Investments in associates	16	**1,667**	4,419	**-**	55
Investment in joint venture	17	**350**	-	**350**	-
Other investments	18	**1,170**	2,914	**3,310**	4,891
Contract assets	19	**20,227**	22,903	**20,227**	22,903
Deferred tax assets	20	**21**	85	**-**	-
		98,245	103,474	**120,040**	108,659
Current assets					
Inventories	21	**639**	758	**-**	-
Trade and other receivables	22	**63,098**	102,204	**69,216**	110,781
Contract assets	19	**45,635**	65,607	**43,350**	38,933
Contract costs assets	23	**35,274**	67,569	**35,274**	67,569
Prepayments		**915**	660	**-**	-
Tax recoverable		**2,564**	757	**1,618**	-
Cash and bank balances	24	**67,192**	94,887	**52,232**	72,358
		215,317	332,442	**201,690**	289,641
Total assets		**313,562**	435,916	**321,730**	398,300
Equity and liabilities					
Current liabilities					
Contract liabilities	19	**22,770**	8,495	**21,208**	8,117
Loans and borrowings	25	**89,425**	130,030	**88,206**	123,168
Trade and other payables	26	**93,285**	118,570	**120,224**	131,661
Tax payable		**628**	1,501	**-**	501
		206,108	258,596	**229,638**	263,447
Net current assets/(liabilities)		**9,209**	73,846	**(27,948)**	26,194

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Equity and liabilities (cont'd.)					
Non-current liabilities					
Deferred tax liabilities	20	**286**	505	**-**	-
Loans and borrowings	25	**4,645**	20,563	**156**	14,823
		4,931	21,068	**156**	14,823
Total liabilities		**211,039**	279,664	**229,794**	278,270
Net assets		**102,523**	156,252	**91,936**	120,030
Equity attributable to owners of the parent					
Share capital	27	**117,751**	117,751	**117,751**	117,751
(Accumulated losses)/retained earnings		**(10,773)**	33,802	**(25,851)**	2,279
Foreign currency translation reserve	28	**(1,023)**	(331)	**-**	-
		105,955	151,222	**91,936**	120,030
Non-controlling interests		**(3,432)**	5,030	**-**	-
Total equity		**102,523**	156,252	**91,936**	120,030
Total equity and liabilities		**313,562**	435,916	**321,730**	398,300

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 2018

	Attributable to owners of the parent						
	Non-distributable			Distributable			
	Share capital (Note 27) RM'000	Share premium (Note 27) RM'000	Foreign currency translation reserve (Note 28) RM'000	retained earnings/ (accumulated losses) RM'000	Total equity attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
Group							
At 1 January 2018	117,751	-	(331)	33,802	151,222	5,030	156,252
Effects of adoption of MFRS 15 (Note 2.2)	-	-	-	(15,126)	(15,126)	1,451	(13,675)
Effects of adoption of MFRS 9 (Note 2.2)	-	-	-	(2,385)	(2,385)	(113)	(2,498)
	117,751	-	(331)	16,291	133,711	6,368	140,079
Total comprehensive loss	-	-	(692)	(27,064)	(27,756)	(9,800)	(37,556)
At 31 December 2018	117,751	-	(1,023)	(10,773)	105,955	(3,432)	102,523
At 1 January 2017	101,225	16,526	663	52,861	171,275	6,778	178,053
Total comprehensive loss	-	-	(994)	(13,998)	(14,992)	(1,348)	(16,340)
Transactions with owners							
Dividend paid on ordinary shares (Note 11)	-	-	-	(5,061)	(5,061)	-	(5,061)
Dividend paid to non-controlling interests	-	-	-	-	-	(400)	(400)
Total transaction with owners	-	-	-	(5,061)	(5,061)	(400)	(5,461)
Effect of implementation of Companies Act 2016	16,526	(16,526)	-	-	-	-	-
At 31 December 2017	117,751	-	(331)	33,802	151,222	5,030	156,252

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	← Non-distributable →		Distributable	
	Share capital (Note 27) RM'000	Share premium (Note 27) RM'000	retained earnings/ (accumulated losses) RM'000	Total equity RM'000
Company				
At 1 January 2018	**117,751**	**-**	**2,279**	**120,030**
Effects of adoption of MFRS 15 (Note 2.2)	**-**	**-**	**(16,636)**	**(16,636)**
Effects of adoption of MFRS 9 (Note 2.2)	**-**	**-**	**(1,852)**	**(1,852)**
	117,751	**-**	**(16,209)**	**101,542**
Total comprehensive loss	**-**	**-**	**(9,606)**	**(9,606)**
At 31 December 2018	**117,751**	**-**	**(25,815)**	**91,936**
At 1 January 2017	101,225	16,526	25,492	143,243
Total comprehensive loss	-	-	(18,152)	(18,152)
Dividends on ordinary shares, representing total transaction with owners (Note 11)	-	-	(5,061)	(5,061)
Effect of implementation of Companies Act 2016	16,526	(16,526)	-	-
At 31 December 2017	117,751	-	2,279	120,030

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 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating activities				
Loss before tax	**(36,431)**	(14,541)	**(9,606)**	(18,152)
Adjustments for:				
Gain on disposal of property, plant and equipment	**(10)**	(56)	**-**	(56)
Gain on disposal of other investments	**(7,543)**	-	**(7,543)**	-
Interest income	**(1,769)**	(1,861)	**(1,421)**	(1,438)
Dividend income	**(3,670)**	-	**(3,670)**	(4,600)
Finance costs	**11,242**	13,303	**10,311**	12,401
Amortisation of intangible assets	**1,037**	1,024	**-**	-
Depreciation of property, plant and equipment	**18,178**	11,654	**17,060**	8,811
Property, plant and equipment written off	**408**	-	**628**	-
Reversal of impairment loss on:				
- Contract assets	**(14)**	-	**(14)**	-
- Trade receivables	**(2,015)**	(858)	**-**	(513)
- Other receivables	**-**	(2,035)	**-**	(1,845)
Impairment loss on:				
- Trade receivables	**1,483**	1,571	**705**	763
- Other receivables	**1,708**	49	**5,320**	1,038
- Investment in subsidiaries	**-**	-	**104**	9,870
- Investment in associates	**55**	-	**55**	-
- Property, plant and equipment	**736**	-	**-**	-
- Intangible assets	**13,556**	9,200	**-**	-
Unrealised foreign exchange gain	**(149)**	(61)	**(149)**	(61)
Fair value loss on other investments	**100**	-	**100**	-
Provision for onerous contract	**845**	-	**-**	-
Share of results of associates	**2,697**	56	**-**	-
Total adjustments	**36,875**	31,986	**21,486**	24,370
Operating cash flows before changes in working capital	**444**	17,445	**11,880**	6,218

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating activities (cont'd.)				
Changes in working capital:				
Inventories	**119**	301	**-**	-
Trade and other receivables	**35,535**	38,965	**33,791**	46,348
Contract assets	**9,033**	(13,849)	**(18,317)**	8,823
Contract costs assets	**32,295**	-	**32,295**	-
Prepayments	**(255)**	-	**-**	-
Contract liabilities	**14,275**	6,941	**13,091**	-
Trade and other payables	**(26,130)**	11,238	**(11,437)**	(2,522)
Total changes in working capital	**64,872**	43,596	**49,423**	52,649
Cash flows from operations	**65,316**	61,041	**61,303**	58,867
Interest paid	**(2,089)**	(2,868)	**(1,990)**	(2,768)
Taxes paid	**(3,190)**	(1,846)	**(2,119)**	(1,252)
Net cash flows from operating activities	**60,037**	56,327	**57,194**	54,847
Investing activities				
Purchase of property, plant and equipment	**(33,538)**	(5,728)	**(33,140)**	(5,393)
Interest received	**1,769**	1,861	**1,421**	1,438
Proceeds from disposal of property, plant and equipment	**89**	177	**5**	56
Software development costs incurred	**(2,300)**	(1,482)	**-**	-
Investment in a joint venture	**(350)**	-	**(350)**	-
Increase in investment in an associate	**-**	(55)	**-**	(55)
Net proceed from disposal of other investments	**9,287**	-	**9,124**	-
Increase in investment in other investments	**(100)**	-	**(100)**	-
Dividend received	**3,670**	-	**3,670**	600
Net cash flows used in investing activities	**(21,473)**	(5,227)	**(19,370)**	(3,354)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financing activities				
(Repayment of)/proceeds from loans and borrowings	**(57,259)**	179	**(50,794)**	(4,678)
Repayment of obligations under finance leases	**(538)**	(371)	**(105)**	(107)
Dividends paid to equity holders of the parent	**-**	(5,061)	**-**	(5,061)
Dividends paid to non-controlling interests	**-**	(400)	**-**	-
Placement of deposits with licensed banks	**4,629**	(1,515)	**-**	-
Deposits uplifted from/(placement of deposits) from securities for bank borrowings	**21,244**	(15,775)	**24,639**	(15,946)
Interest paid	**(9,153)**	(10,435)	**(8,321)**	(9,633)
Net cash flows used in financing activities	**(41,347)**	(33,378)	**(34,581)**	(35,425)
Net (decrease)/increase in cash and cash equivalents	**(2,783)**	17,722	**3,243**	16,068
Effect of exchange rate changes on cash and cash equivalents	**(583)**	(576)	**-**	-
Cash and cash equivalents at 1 January	**9,216**	(7,930)	**(5,249)**	(21,317)
Cash and cash equivalents at 31 December (Note 24)	**5,850**	9,216	**(2,006)**	(5,249)

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

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

On 1 January 2018, the Group and the Company adopted the following new and amended MFRS and Interpretations Committee ("IC") Interpretations mandatory for annual financial periods beginning on or after 1 January 2018.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 2 : Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 15 Revenue from Contracts with Customers	
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

Except as discussed below, the adoption of the new and amended standards and interpretation above did not have any material impact on the financial statements of the Group and of the Company.

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

2.2 Changes in accounting policies (cont'd.)

MFRS 9 Financial Instruments

(a) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income ("OCI"). The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and the Company. The following are the changes in the classification of the Group's and the Company's financial assets:

- Trade and other receivables previously classified as loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as financial assets at amortised cost beginning 1 January 2018.

- Equity instruments in non-listed companies previously classified as available-for-sale financial assets are classified and measured as equity instruments designated at fair value through profit or loss beginning 1 January 2018.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

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

2.2 Changes in accounting policies (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

(a) Classification and measurement (cont'd.)

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required or elected reclassifications at 1 January 2018:

	MFRS 9 measurement category	
MFRS 139 measurement category	**Fair value through profit or loss RM'000**	**Ammortised cost RM'000**
Loans and receivables		
Trade and other receivables	-	110,781
Available for sale		
Redeemable convertible preference shares in subsidiaries	2,140	-
Non-listed equity instruments	2,751	-
	4,891	110,781

(b) Impairment

The adoption of MFRS 9 has fundamentally changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expeced credit loss ("ECL") approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Set out below is the reconciliation of the ending impairment allowances in accordance with MFRS 139 to the opening loss allowances determined in accordance with MFRS 9:

	Allowance for impairment under MFRS 139 as at 31 December 2017 RM'000	Remeasurement	ECL under MFRS 9 as at 1 January 2018 RM'000
Group			
Loans and receivables under MFRS 139/Financial assets at amortised cost under MFRS 9 and contract assets	49,142	2,498	**51,640**
Company			
Loans and receivables under MFRS 139/Financial assets at amortised cost under MFRS 9 and contract assets	52,154	1,852	**54,006**

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

2.2 Changes in accounting policies (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

(c) Other adjustments

In addition to the adjustments described above, other items such as deferred taxes and non-controlling interests were adjusted to retained earnings as necessary upon adoption of MFRS 9 as at 1 January 2018

MFRS 15 Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires additional disclosures.

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group and the Company elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related interpretations.

The effect of adopting MFRS 15 as at 1 January 2018 was, as follows:

Impact on the consolidated statement of financial position

	Increase/(decrease)	
	Group	**Company**
	RM'000	**RM'000**
Assets		
Contract assets	(13,675)	(16,636)
Equity		
Retained earnings	(15,126)	(16,636)
Non-controlling interests	1,451	-
	(13,675)	(16,636)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

2.2 Changes in accounting policies (cont'd.)

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

Before the adoption of MFRS 15, system application development revenue was recognised in accordance with MFRS 118 Revenue and when the total costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts.

Under MFRS 15, such amount due from customer represents a right to consideration in exchange for goods or services transferred to the customer known as contract asset. Correspondingly, an amount due to the customer represents an obligation to transfer goods or services to customer for which the consideration has been billed to the customer and this is known as contract liability.

(i) System application development

For contracts relating to system application development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including project management, procurement of hardware and software, system design, system deployment and testing, system installation and integration. In such contracts, the Group determined that the goods and services are not distinct and generally accounts for them as a single performance obligation. Depending on the terms of each contract, the Group has determined whether control is transferred at a point in time or over time.

For system application and development, these were previously accounted for separately based on scope of work. The Group has determined that they generally meet the criteria for recognising revenue as one performance obligation under MFRS 15 and that control is transferred over time. The Group's performance either creates an asset that the customer controls as the asset is created or the Group's performance does not create an asset with alternative use to the Group and the Group has concluded that it at all times, an enforceable right to payment for performance completed to date.

For certain contracts involving the system application and development, the Group requires progress payments from customer to be made as work progresses. Under previous accounting, the Group presented these progress payments made before satisfying the performance obligation as amount due to customers in the statement of financial position. Under MFRS 15, for contracts where revenue is recognised over time, the Group uses the practical expedient for the significant financing component, as it generally expects that, at contract inception, the length of time between when the customer pays for the asset and when the Group transfers the asset to the customer will be one year or less. For contracts where revenue is recognised at a point in time (i.e., upon completion of the development) and the practical expedient cannot be applied, the Group adjusts the transaction price for the effects of the significant financing component by discounting it using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception.

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

2.2 Changes in accounting policies (cont'd.)

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

(ii) Rendering of services

The Group has determined that, revenue from rendering of services are generally a single performance obligation and the Group has determined that this is satisfied over time. The basis and timing of revenue recognition did not change upon the adoption of MFRS 15.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of MFRS 15. The adoption of MFRS 15 did not have a material impact on the Group's and the Company's operating, investing and financing cash flows. The first column shows amounts prepared under MFRS 15 and the second column shows what the amounts would have been had MFRS 15 not been adopted:

Statement of profit and loss for the year ended 31 December 2018

Group	MFRS 15 RM'000	Previous MFRS RM'000	Increase/ (decrease) RM'000
Revenue	379,446	385,284	(5,838)
Other income	18,066	18,066	-
Employee benefits expense	(85,389)	(85,389)	-
Purchase of hardware and software	(26,691)	(26,941)	250
Lease line rental	(29,903)	(25,988)	(3,915)
Maintenance costs	(42,920)	(45,824)	2,904
Bulk mailing processing charges	(12,249)	(12,249)	-
Project implementation costs	(141,956)	(158,020)	16,064
Depreciation and amortisation	(19,215)	(14,318)	(4,897)
Other expenses	(61,681)	(61,681)	-
Finance costs	(11,242)	(11,242)	-
Share of results of associates	(2,697)	(2,697)	-
Loss before tax	(36,431)	(40,999)	4,568
Income tax expense	(355)	(355)	-
Loss for the year	(36,786)	(41,354)	4,568
Loss attributable to:			
Owners of the parent	(27,064)	(31,632)	4,568
Non-controlling interests	(9,722)	(9,722)	-
	(36,786)	(41,354)	4,568
Loss per share attributable to owners of the parent (sen per share):			
Basic/diluted	(27)	(14)	(13)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

2.2 Changes in accounting policies (cont'd.)

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

Statement of profit and loss for the year ended 31 December 2018 (cont'd.)

Company	MFRS 15 RM'000	Previous MFRS RM'000	Increase/ (decrease) RM'000
Revenue	253,465	254,051	(586)
Other income	24,813	21,386	3,427
Employee benefits expense	(14,262)	(14,518)	256
Purchase of hardware and software	(20,769)	(20,769)	-
Lease line rental	(51,367)	(50,706)	(661)
Maintenance costs	(89,478)	(94,670)	5,192
Project implementation costs	(33,757)	(23,831)	(9,926)
Depreciation	(17,060)	(12,163)	(4,897)
Other expenses	(50,880)	(50,880)	-
Finance costs	(10,311)	(10,311)	-
Loss before tax	(9,606)	(2,411)	(7,195)
Income tax expense	-	-	-
Loss for the year	(9,606)	(2,411)	(7,195)

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

2.3 Standards issued but not yet effective

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
MFRS 16 Leases	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

MFRS 16 Leases

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

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

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

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

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

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

MFRS 16 Leases (cont'd.)

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 standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group and the Company has non-cancellable operating lease commitments of RM12,513,000. MFRS 117 does not require the recognition of any right-of-use asset or liability for future payments for these non-cancellable operating leases. Instead, certain disclosures are made in Note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under MFRS 16 and hence the Group and the Company will recognise a right-of-use asset and a corresponding liability in respect of these leases. The new requirements to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's and the Company's financial statements.

The Group and the Company plan to adopt MFRS 16 prospectively. The Group and the Company will elect to apply the standard to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4. The Group and the Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying MFRS 117 and IFRIC 4.

The Group and the Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group and the Company have leases of certain office equipment (i.e., photocopying machines) that are considered of low value.

The Group has performed a preliminary impact assessment based on currently available information. On the adoption of MFRS 16, the Group expects to recognise right-of-use assets and lease liabilities of RM12,772,000 for its leases previously classified as operating leases.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, 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 involvement with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

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

2.4 Basis of consolidation (cont'd.)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangement(s) with the other vote holders of the investee;

(iii) Rights arising from other contractual arrangements; and

(iv) The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is 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. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

2.4 Basis of consolidation (cont'd.)

Business combinations and goodwill (cont'd.)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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.

2.6 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.

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

2.6 Foreign currency (cont'd.)

(b) Foreign currency transactions (cont'd.)

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.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

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

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

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

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.

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.

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

2.8 Intangible assets (cont'd.)

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

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

Software development expenditure

Software development expenditure comprises purchased software, manpower and related overhead incurred directly in the development of computer software. Research costs are expensed as incurred. Deferred 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. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project (ranging from 5 to 15 years) on a straight line basis.

2.9 Subsidiaries

A subsidiary is an entity over which the Group has:

(i) Power over the investee (i.e; existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

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

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

2.10 Investments in associates and joint ventures

An associate is an entity over 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When 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 an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associates and joint ventures are stated 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Impairment of non-financial assets

The Group and the Company assess 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 and the Company make 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.

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. A previously recognised impairment loss is reversed only if there has been a change in the estimates 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. Impairment loss on goodwill is not reversed in a subsequent period.

2.12 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

2.12 Financial instruments - initial recognition and subsequent measurement (cont'd.)

(a) Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables.

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

2.12 Financial instruments - initial recognition and subsequent measurement (cont'd.)

(a) Financial assets (cont'd.)

Subsequent measurement (cont'd.)

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group has not designated any financial assets under this category.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has not designated any equity instruments under this category.

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

2.12 Financial instruments - initial recognition and subsequent measurement (cont'd.)

(a) Financial assets (cont'd.)

Subsequent measurement (cont'd.)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes unquoted equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on unquoted equity investments are also recognised as other income in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

2.12 Financial instruments - initial recognition and subsequent measurement (cont'd.)

(a) Financial assets (cont'd.)

Subsequent measurement (cont'd.)

Derecognition (cont'd.)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, trade and other payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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 are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

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

2.12 Financial instruments - initial recognition and subsequent measurement (cont'd.)

(b) Financial liabilities (cont'd.)

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.13 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on 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 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 Current versus non-current classification

The Group and the Company present assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

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 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.

2.19 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.20 Leases

(a) As lessee

Finance leases, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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.

(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.

2.21 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.

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

2.21 Income taxes (cont'd.)

(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.)

2.21 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 statements of financial position.

(d) Sales and Service Tax ("SST")

SST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable as SST is not recoverable.

Whereas, revenue is recognised net of the amount of SST billed as it is payable to the taxation authority. SST payable to the taxation authority is included as part of payables in the statements of financial position.

2.22 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.

2.23 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.24 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 statements of financial position of the Group.

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

2.25 Fair value measurements

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 by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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 at fair value 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.26 Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and services tax or sales and services tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group recognises revenue from contracts with customers for the provision of services and sale of goods based on the five-step model as set out below:

(a) Identify contract with a customer

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(b) Identify performance obligations in the contract

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(c) Determine the transaction price

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(d) Allocate the transaction price to the performance obligation in the contract

For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(e) Recognise revenue when (or as) the Group satisfies a performance obligation

The Group satisfies a performance obligation and recognise revenue over time if the Group's performance:

(i) Do not create an asset with an alternative use to the Group and has an enforceable right to payment for performance obligation completed to-date; or
(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or
(iii) Provide benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions are met, revenue is recognised over time at which the performance obligation is satisfied.

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

2.26 Revenue from contracts with customers (cont'd.)

For performance obligations that the Group satisfies over time, the Group determined that the input method is the best method in measuring progress of the services because there is direct relationship between the Group's effort and the transfer of service to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

The following describes the performance obligation in contracts with customers:

(a) System application and development and engineering works

The Group involves in the system application and development and engineering works, in which the Group considers whether there are promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. For contracts relating to system application development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including project management, procurement of hardware and software, system design, system deployment and testing, system installation and integration. In such contracts, the Group determined that the goods and services are not distinct and generally accounts for them as a single performance obligation. Depending on the terms of each contract, the Group has determined whether control is transferred at a point in time or over time.

(b) Rendering of services

The Group provides maintenance services, software support and license fee and disaster recovery and facility management services. These services represent a series of daily services that are individually satisfied over time because the customers simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

(c) Mobile value-added services and mailing and document processing services

The Group provides mobile value-added services and mailing and document processing services, in which the performance obligation is satisfied upon completion of services and acceptance by the customer.

(d) Contract costs

The Group incurs costs to fulfil a contract with a customer. Where the amortisation period is longer than one year, the Group capitalises the incremental costs of obtaining a contract that meet criteria in MFRS 15. Costs incurred by the Group to fulfil a contract prior to the commencement of its performance (e.g., tendering costs) are mostly general and administrative expenses that are expensed as incurred.

Any capitalised contract costs assets is amortised on a systematic basis that is consistent with the Group's transfer of the related goods or services to the customer. Capitalised contract costs are subject to an impairment assessment at the end of each reporting period. Impairment losses are recognised in profit or loss.

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

2.26 Revenue from contracts with customers (cont'd.)

(e) Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 2.12.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(f) Warranty obligations

The Group provides warranty beyond fixing defects that existed at the time of sale as requested by the customers. These service-type warranties are sold either separately or bundled together with the sale of system application and development. Contracts for bundled system application and development and a service-type warranty comprise two performance obligations because the promises to transfer the system and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.

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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:

(a) Finance leases – As lessor

The Group and the Company have entered into a build and lease arrangement with the 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 an operating lease or finance lease. The management judged that the Group and the Company do not retain the significant risks and rewards of ownership of this property, thus accounted for the contract as a finance lease.

(b) Non-consolidation of an entity in which the Group holds more than a majority of voting rights

The Group and a third party formed an entity for the provision of e-testing services for motor vehicle licenses. The Group holds a 51% equity interest in this entity. The Group has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement, classified its interests as joint ventures under MFRS 11 Joint Arrangements. As a consequence, management concluded that the Group does not control this entity and, therefore, does not consolidate the entity in its financial statements.

(c) Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying performance obligations

For contracts relating to system application development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including project management, procurement of hardware and software, system design, system deployment and testing, system installation and integration. In such contracts, the Group determined that the goods and services are not distinct and generally accounts for them as a single performance obligation.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

3.1 Judgements made in applying accounting policies (cont'd.)

(c) Revenue from contracts with customers (cont'd.)

Determining the timing of satisfaction of performance obligation

For system application and development revenue and engineering works, the Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. In making the assessment, the Group considered the terms of the contracts entered into with customers.

For contracts that meet the over time recognition criteria, the Group determined that the input method is the best method in measuring progress of the development because there is direct relationship between the Group's effort (i.e., resources consumed, labour hours expended and costs incurred) and the transfer control of goods and services to the customer.

Consideration of significant financing component in a contract

For contracts involving the system application and development revenue recognised over time, customers generally make progress payments as work goes on. Generally, the Group concluded that there is no significant financing component for those contracts as the length of time between when the customers pays for the asset and when the Group transfers the asset to the customer will be one year or less.

Determining method to estimate variable consideration and assessing the constraint

The contracts for the system application and development revenue and engineering works include delay penalties that give rise to variable consideration. Development monitoring is a constant and ongoing process that can identify potentially serious delays in a project. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

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 and investments in subsidiaries

Goodwill is tested for impairment annually and at other times when such indicators exist. The Company also assesses at each reporting date whether there is any objective evidence that its investments in subsidiaries are impairment. This requires an estimation of the recoverable amount based on value in use or fair value less costs of disposal of the cash-generating units to which goodwill is allocated.

When value in use calculation is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate and long term growth rate in order to calculate the present value of those cash flows.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

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

(a) Impairment of goodwill and investments in subsidiaries (cont'd.)

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, while the carrying amount of investments in subsidiaries is disclosed in Note 15.

(b) Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's and the Company's contract assets and trade receivables are disclosed in Note 19 and Note 22.

(c) Measurement of progress when revenue is recognised over time

For those contracts involving the system application and development revenue and engineering works that meet the over time criteria of revenue recognition, the Group's performance is measured using an input method, by reference to the inputs towards satisfying the performance obligation relative to the total expected inputs to satisfy the performance obligation, i.e., the completion of the property. The Group generally uses the costs incurred method as a measure of progress for its contracts because it best depicts the Group's performance. Under this method of measuring progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. When costs are incurred, but do not contribute to the progress in satisfying the performance obligation (such as unexpected amounts of wasted materials, labour or other resources), the Group excludes the effect of those costs. Also, the Group adjusts the input method for any cost incurred that are not proportionate to the Group's progress in satisfying the performance obligation.

The carrying amounts of contract assets and liabilities of the Group are disclosed in Note 19.

4. REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Group

31 December 2018

Segments	Core 1 RM'000	Core 2 RM'000	Core 3 RM'000	Total RM'000
Type of goods or services				
Malaysian Communications and Multimedia Commission (MCMC) Licensable Activities				
Network related services	51,367	-	-	51,367
System application and development	59,296	-	-	59,296
Maintenance charges	97,930	-	-	97,930
Disaster recovery and facility management services	40,443	-	-	40,443
Engineering works	-	86,013	-	86,013
Mailing and document processing services	-	18,046	-	18,046
Database management services	-	6,528	-	6,528
Software support and licence fees	-	3,303	-	3,303
Mobile value added services	-	3,754	-	3,754
Others	10,058	2,708	-	12,766
	207,727	120,352	-	328,079
Total revenue from contracts with customers	259,094	120,352	-	379,446
Geographical markets				
Malaysia	259,094	116,593	-	375,687
Australia	-	3,303	-	3,303
Indonesia	-	456	-	456
Total revenue from contracts with customers	259,094	120,352	-	379,446
Timing of revenue recognition				
Goods transferred at a point in time	10,058	31,036	-	41,094
Services transferred over time	249,036	89,316	-	338,352
Total revenue from contracts with customers	259,094	120,352	-	379,446

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4. REVENUE (CONT'D.)

Set out below is the disaggregation of the Group's revenue from contracts with customers (cont'd.):

Group (cont'd.)

31 December 2017

Segments	Core 1 RM'000	Core 2 RM'000	Core 3 RM'000	Total RM'000
Type of goods or services				
Malaysian Communications and Multimedia Commission (MCMC) Licensable Activities				
Network related services	54,608	-	-	54,608
Internet data centre services	726	-	-	726
	55,334	-	-	55,334
System application and development	69,746	-	-	69,746
Maintenance charges	137,688	-	-	137,688
Disaster recovery and facility management services	38,736	-	-	38,736
Engineering works	-	80,725	-	80,725
Mailing and document processing services	-	22,241	-	22,241
Database management services	-	6,435	-	6,435
Software support and licence fees	-	4,117	-	4,117
Mobile value added services	-	4,751	-	4,751
Others	7,099	-	-	7,099
	253,269	118,269	-	371,538
Total revenue from contracts with customers	308,603	118,269	-	426,872
Geographical markets				
Malaysia	308,603	111,885	-	420,488
Australia	-	4,117	-	4,117
Indonesia	-	2,267	-	2,267
Total revenue from contracts with customers	308,603	118,269	-	426,872
Timing of revenue recognition				
Goods transferred at a point in time	7,099	33,427	-	40,526
Services transferred over time	301,504	84,842	-	386,346
Total revenue from contracts with customers	308,603	118,269	-	426,872

4. REVENUE (CONT'D.)

	2018 RM'000	2017 RM'000
Company		
Type of goods or services		
Malaysian Communications and Multimedia Commission (MCMC) Licensable Activities		
Network related services	**51,367**	54,608
System application and development	**59,296**	69,745
Maintenance charges	**95,878**	137,688
Disaster recovery and facility management services	**40,443**	39,462
Others	**6,481**	4,399
	202,098	251,294
Total revenue from contracts with customers	**253,465**	305,902
Timing of revenue recognition		
Goods transferred at a point in time	**6,481**	4,399
Services transferred over time	**246,984**	301,503
Total revenue from contracts with customers	**253,465**	305,902

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.

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5. OTHER INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income from fixed deposits with license banks	**1,769**	1,861	**1,421**	1,438
Dividend income from:				
- Other investments	**3,670**	-	**3,670**	-
- Subsidiaries	**-**	-	**-**	4,600
Gain on disposal of property, plant and equipment	**10**	56	**-**	56
Gain on disposal of other investments	**7,543**	-	**7,543**	-
Rental income	**2,321**	3,182	**8,491**	10,063
Management fee income	**-**	-	**3,028**	-
Reversal of impairment loss on trade and other receivables	**2,015**	2,893	**-**	2,358
Realised gain on foreign exchange	**427**	61	**427**	61
Others	**311**	395	**233**	-
	18,066	8,448	**24,813**	18,576

6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages and salaries	**70,266**	88,064	**12,635**	11,704
Defined contributions plans and social security contributions	**9,282**	9,427	**742**	1,074
Other benefits	**5,841**	3,088	**885**	933
	85,389	100,579	**14,262**	13,711

7. DIRECTORS' REMUNERATION

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-executive director's remuneration:				
Fees	**338**	412	**239**	297
Other emoluments	**1,072**	1,137	**1,050**	1,078
Benefit-in-kind	**71**	70	**71**	70
Total directors' remuneration (Note 9 and 31)	**1,481**	1,619	**1,360**	1,445

8. FINANCE COSTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on:				
Term loans	**1,493**	2,522	**1,288**	2,297
Revolving credits	**6,867**	7,387	**6,356**	6,914
Project financing	**667**	547	**667**	547
Obligations under finance leases	**126**	126	**10**	21
Bank overdrafts	**1,990**	2,622	**1,990**	2,622
Due to a director of a subsidiary	**99**	99	**-**	-
	11,242	13,303	**10,311**	12,401

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9. LOSS BEFORE TAX

The following items have been included in arriving at loss before tax:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amortisation of intangible assets (Note 14)	**1,037**	1,024	**-**	-
Auditors' remuneration				
- Statutory audit	**565**	483	**274**	271
- Other services	**15**	24	**15**	24
Non-executive directors' remuneration (Note 7)	**1,481**	1,619	**1,360**	1,445
Operating lease:				
- Office premises	**5,240**	5,416	**4,547**	4,758
- Staff accomodation	**65**	65	**-**	-
- Office equipment	**52**	43	**-**	-
- Motor vehicles	**4**	45	**-**	-
Impairment loss on:				
- Trade receivables (Note 22(a))	**1,483**	1,571	**705**	763
- Other receivables (Note 22(d))	**1,708**	49	**5,320**	1,038
- Investments in subsidiaries	**-**	-	**104**	9,870
- Investments in associates	**55**	-	**55**	-
- Property, plant and equipment	**736**	-	**-**	-
- Intangible assets (Note 14)	**13,556**	9,200	**-**	-
Reversal of impairment loss on:				
- Contract assets (Note 19)	**(14)**	-	**(14)**	-
- Trade receivables (Note 22(a))	**(2,015)**	(858)	**-**	(513)
- Other receivables (Note 22(d))	**-**	(2,035)	**-**	(1,845)
Depreciation of property, plant and equipment (Note 13)	**18,178**	11,654	**17,060**	8,811
Property, plant and equipment written off (Note 13)	**408**	-	**628**	-
Dividend income	**(3,670)**	-	**(3,670)**	-
Unrealised foreign exchange gain	**(149)**	(61)	**(149)**	(61)
Fair value loss on other investments	**100**	-	**100**	-
Provision for onerous contracts	**845**	-	**-**	-

10. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2018 and 2017 are:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Statements of comprehensive income:				
Current income tax:				
Malaysian income tax	**416**	2,206	**-**	-
Under/(over) provision in prior years:				
Malaysian income tax	**94**	(1,085)	**-**	-
	510	1,121	**-**	-
Deferred tax (Note 20):				
Relating to origination and reversal of temporary differences	**(297)**	(719)	**-**	(418)
Underprovision in prior years	**142**	403	**-**	418
	(155)	(316)	**-**	-
Income tax expense recognised in profit or loss	**355**	805	**-**	-

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10. INCOME TAX EXPENSE (CONT'D.)

Reconciliations between tax expense and accounting loss

The reconciliations between tax expense and the accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loss before tax	**(36,431)**	(14,541)	**(9,606)**	(18,152)
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	**(8,743)**	(3,490)	**(2,305)**	(4,356)
Effect of difference in tax rates	**828**	(132)	**-**	-
Effect of income not subject to tax	**(2,691)**	-	**(2,691)**	(1,104)
Effect of expenses not deductible for tax purposes	**6,717**	5,526	**4,271**	4,318
Utilisation of group relief	**(692)**	(64)	**-**	-
Deferred tax assets not recognised during the year	**4,821**	1,182	**725**	724
Utilisation of previously unrecognised deferred tax assets	**(121)**	(1,511)	**-**	-
Share of results of associates	**-**	(24)	**-**	-
Underprovision of deferred tax in prior years	**142**	403	**-**	418
Under/overprovision of income tax in prior years	**94**	(1,085)	**-**	-
Income tax expense recognised in profit or loss	**355**	805	**-**	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

11. DIVIDEND

	Dividend in respect of year		Dividend recognised in year	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Final dividend for 2017:				
5% single-tier dividend on 101,225,300 ordinary shares of RM0.05 each (5 sen per ordinary share)	**-**	-	**-**	5,061

12. LOSS PER SHARE

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

Diluted loss per share is calculated by dividing the loss for the financial year attributable to owners of the parent by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

There are no potential dilution effects on ordinary shares of the Group for the current financial year. Accordingly, the diluted loss per share for the current financial year is equal to basic loss per share.

There have been no 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 loss and share data used in the computation of basic and diluted loss per share for the financial years ended 31 December:

	Group	
	2018 RM'000	**2017 RM'000**
Loss attributable to owners of the parent	**(27,064)**	(13,998)

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

	Group	
	2018	**2017**
Basic/diluted loss per share (sen per share)	**(26.74)**	(13.83)

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13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Machinery, office equipment, furniture and fittings RM'000	Computers and network equipment RM'000	Renovation RM'000	Total RM'000
Group							
Cost							
At 1 January 2017	11,506	47,014	3,429	55,149	170,521	21,017	308,636
Additions	-	2,418	108	320	4,367	103	7,316
Disposals	-	-	(1,183)	(16)	-	(87)	(1,286)
Exchange differences	-	(100)	(103)	(275)	-	-	(478)
At 31 December 2017 and 1 January 2018	11,506	49,332	2,251	55,178	174,888	21,033	314,188
Additions	-	2,281	-	774	30,478	5	33,538
Written off	-	(631)	(468)	(528)	(455)	-	(2,082)
Disposals	-	-	(231)	(3,023)	(35,788)	(1,581)	(40,623)
Reclassifications	-	-	-	31	(484)	453	-
Exchange differences	(47)	(47)	(35)	(273)	-	-	(402)
At 31 December 2018	**11,459**	**50,935**	**1,517**	**52,159**	**168,639**	**19,910**	**304,619**

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Machinery, office equipment, furniture and fittings RM'000	Computers and network equipment RM'000	Renovation RM'000	Total RM'000
Group (cont'd.)							
Accumulated depreciation							
At 1 January 2017	-	34,275	2,684	30,832	164,372	20,891	253,054
Charge for the year (Note 9)	-	3,851	313	3,948	3,372	170	11,654
Disposals	-	-	(1,174)	37	-	(28)	(1,165)
Exchange differences	-	36	(71)	(25)	-	-	(60)
At 31 December 2017 and 1 January 2018	-	38,162	1,752	34,792	167,744	21,033	263,483
Charge for the year (Note 9)	-	3,632	180	1,224	13,037	105	18,178
Write Off	-	(3)	(705)	(512)	(454)	-	(1,674)
Disposals	-	-	(163)	(3,015)	(35,785)	(1,581)	(40,544)
Impairment	-	-	-	698	26	12	736
Reclassifications	-	(4,392)	1	4,777	(162)	(224)	-
Exchange differences	-	(18)	(18)	(179)	-	-	(215)
At 31 December 2018	**-**	**37,381**	**1,047**	**37,785**	**144,406**	**19,345**	**239,964**
Net carrying amount							
At 31 December 2017	11,506	11,170	499	20,386	7,144	-	50,705
At 31 December 2018	**11,459**	**13,554**	**470**	**14,374**	**24,233**	**565**	**64,655**

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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computers and network equipment RM'000	Renovation RM'000	Total RM'000
Company							
Cost							
At 1 January 2017	9,895	42,989	1,918	28,603	164,919	21,325	269,649
Additions	-	2,418	-	247	2,716	12	5,393
Disposals	-	-	(1,105)	-	-	-	(1,105)
At 31 December 2017 and 1 January 2018	9,895	45,407	813	28,850	167,635	21,337	273,937
Additions	-	2,281	-	494	30,360	5	33,140
Written off	-	(631)	-	-	-	-	(631)
Disposals	-	-	-	(2,928)	(34,566)	(1,582)	(39,076)
Reclassifications	-	1	-	(167)	(287)	453	-
At 31 December 2018	**9,895**	**47,058**	**813**	**26,249**	**163,142**	**20,213**	**267,370**

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computers and network equipment RM'000	Renovation RM'000	Total RM'000
Company (cont'd.)							
Accumulated depreciation							
At 1 January 2017	-	34,386	1,334	11,086	159,797	21,191	227,794
Charge for the year (Note 9)	-	3,722	142	1,926	2,877	144	8,811
Disposals	-	-	(1,105)	-	-	-	(1,105)
At 31 December 2017 and 1 January 2018	-	38,108	371	13,012	162,674	21,335	235,500
Charge for the year (Note 9)	-	3,034	142	354	13,345	185	17,060
Written off	-	(3)	-	-	-	-	(3)
Disposals	-	-	-	(2,927)	(34,563)	(1,581)	(39,071)
Reclassifications	-	(4,392)	1	4,790	(175)	(224)	-
At 31 December 2018	**-**	**36,747**	**514**	**15,229**	**141,281**	**19,715**	**213,486**
Net carrying amount							
At 31 December 2017	9,895	7,299	442	15,838	4,961	2	38,437
At 31 December 2018	**9,895**	**10,311**	**299**	**11,020**	**21,861**	**498**	**53,884**

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 RM1,331,000 (2017: RM1,428,000) and RM298,000 (2017: RM422,000) respectively.

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Freehold land	**9,895**	9,895	**9,895**	9,895
Building	**2,656**	2,728	**-**	-
	12,551	12,623	**9,895**	9,895

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14. INTANGIBLE ASSETS

	Goodwill RM'000	Secured contract RM'000	Software development costs RM'000	Total RM'000
Group				
Cost				
At 1 January 2017	21,865	1,153	16,001	39,019
Addition	-	-	1,482	1,482
At 31 December 2017 and 1 January 2018	21,865	1,153	17,483	40,501
Addition	-	-	2,300	2,300
Written off	-	-	(1,054)	(1,054)
At 31 December 2018	**21,865**	**1,153**	**18,729**	**41,747**
Accumulated amortisation and impairment				
At 1 January 2017	4,065	824	2,940	7,829
Impairment (Note 9)	5,683	-	3,517	9,200
Amortisation (Note 9)	-	329	695	1,024
At 31 December 2017 and 1 January 2018	9,748	1,153	7,152	18,053
Impairment (Note 9)	6,770	-	6,786	13,556
Amortisation (Note 9)	-	-	1,037	1,037
Written off	-	-	(1,054)	(1,054)
At 31 December 2018	16,518	1,153	13,921	31,592
Net carrying amount				
At 31 December 2017	12,117	-	10,331	22,448
At 31 December 2018	**5,347**	**-**	**4,808**	**10,155**

14. INTANGIBLE ASSETS (CONT'D.)

	Software development costs RM'000
Company	
Cost	
At 1 January 2017, 31 December 2017 and 1 January 2018	1,054
Written off	(1,054)
At 31 December 2018	-
Accumulated amortisation	
At 1 January 2017, 31 December 2017 and 1 January 2018	1,054
Written off	(1,054)
At 31 December 2018	-
Net carrying amount	
At 31 December 2017	-
At 31 December 2018	-

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	
	2018 RM'000	2017 RM'000
Computer software development, sales and support	-	2,294
Mailing and document processing services	4,583	6,589
Mobile value added services	764	764
Engineering works	-	2,470
	5,347	12,117

The impairment charge of RM6,770,000 (2017: RM5,683,000) is recorded within other expenses in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

14. INTANGIBLE ASSETS (CONT'D.)

The recoverable amount of all the CGUs are based on value in use, except for one (2017: two) CGU(s) that are based on fair value less costs of disposal for the financial year ended 31 December 2018.

(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.

(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:

	Group	
	2018	**2017**
Computer software development, sales and support	**0%**	1%
Mobile value added services	**1%**	1%
Engineering works	**0%**	1%

(iv) Discount rates

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

	Group	
	2018	**2017**
Computer software development, sales and support	**13%**	Nil
Mobile value added services	**14%**	19%
Engineering works	**11%**	13%

Sensitivity to changes in assumptions

The Company values of CGUs are not sensitive to changes in any key assumptions used in the cash flow projections during the year. In the previous financial year, a rise of 1% in the discount rate would result in impairment of goodwill for the mobile value-added services CGU.

14. INTANGIBLE ASSETS (CONT'D.)

(b) Fair value less cost to disposal

The recoverable amount of the CGU in the mailing and document processing services determined based on fair value less costs of disposal is derived using the market price obtainable in an arm's length transaction, less cost of disposal.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
Unquoted ordinary shares, at cost	**63,258**	63,258
Less: Accumulated impairment losses	**(20,989)**	(20,885)
	42,269	42,373

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest (%) 2018	Effective equity interest (%) 2017
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	Provision of mobile value added services	**80**	80
Inter-City MPC (M) Sdn. Bhd.	Malaysia	Provision of mail processing and related services	**100**	100
Integrated Healthcare Solutions Sdn. Bhd.	Malaysia	Provision of a one-stop customer support service centre and consultancy service desks	**100**	100
HeiTech i-Solution Sdn. Bhd.	Malaysia	Computer software development and marketing of software, contract programming services and product systems integration and other computer related services	**100**	100
HeiTech Next Sdn. Bhd.	Malaysia	Provision of research and development in developing, installing and supporting software for small and medium sized industries	**100**	100

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15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

Name	Country of incorporation	Principal activities	Effective equity interest (%) 2018	2017
Held by the Company (cont'd.):				
HeiTech Defence System Sdn. Bhd.	Malaysia	Provision for information and communication technology products and services for the defence industry	**100**	100
PSG Data Sdn. Bhd.	Malaysia	Provision for information and communication technology products and services for the health industry	**100**	100
HeiTech Managed Services Sdn. Bhd.	Malaysia	Provision of consultancy services, network management, local area network design and installation services	**100**	100
HeiTech Academy Sdn. Bhd.	Malaysia	To provide professional service as consultants, project management and training	**100**	100
Vante Sdn. Bhd.	Malaysia	Provision of consultancy services, system integration and change management services	**100**	100
Megacenter System Sdn. Bhd.	Malaysia	Provision of data centre management	**100**	100
Domainedge Sdn. Bhd.	Malaysia	Provision of record management services, document imaging and document storage warehousing services	**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	To develop innovative products and entrepreneurship program	**100**	100
HeiTech Global Services Sdn. Bhd. ^	Malaysia	Information and communication technology, property investment	**100**	100

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

Name	Country of incorporation	Principal activities	Effective equity interest (%) 2018	Effective equity interest (%) 2017
Held by the Company: (cont'd.)				
HeiTech Transbiz Sdn. Bhd. ^	Malaysia	General trading	**100**	100
PT. Intercity Kerlipan ^	Indonesia	Provision of mail processing and related services	**70**	70
HeiTech Eco Energy Sdn. Bhd. ^	Malaysia	Provision of engineering, procurement, construction and commissioning services	**70**	-
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

^ Audited by firms other than Hanafiah Raslan and Mohamad.

(a) Acquisition of a subsidiary

On 18 October 2018, the Company acquired 70% equity interest in HeiTech Eco Energy Sdn. Bhd. ("HEESB") for a cash consideration of RM100. Upon the acquisition, HEESB became a subsidiary of the Group. HEESB, an unlisted company incorporated in Malaysia, is involved in the provision of engineering, procurement, construction and commissioning services.

(b) Internal reorganisation

In the previous financial year, the Company's subsidiary, Inter-City MPC (M) Sdn. Bhd. disposed its entire shareholding in PT. Intercity Kerlipan to its holding company, HeiTech Padu Berhad for a consideration of RM4 million. There was no cash exchanged as the amount was offsetted with the amount due from Inter-City MPC (M) Sdn. Bhd.. The above transaction has no impact to the Group as it involves internal reorganisation.

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15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(c) Material partly-owned subsidiary

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

	2018			2017		
	Motordata Research Consortium Sdn. Bhd. RM'000	**Duta Technic Sdn. Bhd. RM'000**	**Dapat Vista Sdn. Bhd. RM'000**	**Motordata Research Consortium Sdn. Bhd. RM'000**	**Duta Technic Sdn. Bhd. RM'000**	**Dapat Vista Sdn. Bhd. RM'000**
NCI percentage of ownership interest and voting interest	**40%**	**49%**	**20%**	40%	49%	20%
Carrying amount of NCI	**2,626**	**(9,338)**	**(1,727)**	2,494	2,701	782
Profit/(loss) allocated to NCI	**244**	**(9,589)**	**(52)**	669	(894)	118

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

	2018			2017		
	Motordata Research Consortium Sdn. Bhd. RM'000	**Duta Technic Sdn. Bhd. RM'000**	**Dapat Vista Sdn. Bhd. RM'000**	**Motordata Research Consortium Sdn. Bhd. RM'000**	**Duta Technic Sdn. Bhd. RM'000**	**Dapat Vista Sdn. Bhd. RM'000**
Assets and liabilities						
Current assets	**8,512**	**14,649**	**3,209**	7,655	60,704	4,076
Non-current assets	**2,212**	**-**	**563**	2,511	54	154
Current liabilities	**2,766**	**(25,747)**	**(906)**	(4,230)	(54,904)	(1,106)
Non-current liability	**1,042**	**-**	**-**	-	(8)	-
Equity	**14,532**	**(11,098)**	**2,866**	5,936	5,846	3,124
Revenue	**7,105**	**86,013**	**3,754**	7,213	80,725	4,751
Profit/(loss) for the year, representing total comprehensive income	**610**	**(19,570)**	**(258)**	1,673	(1,634)	590
Cashflows from/(used in):						
Operating activities	**1,497**	**(7,448)**	**(759)**	1,803	4,445	195
Investing activities	**(119)**	**(7)**	**(32)**	(3,316)	(33)	(78)
Financing activities	**(285)**	**-**	**-**	(1,000)	-	-
Net increase/(decrease) in cash and cash equivalents	**1,093**	**(7,455)**	**(791)**	(2,513)	4,412	117

16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares, at cost	**4,930**	4,875	**4,755**	4,700
Addition	**-**	55	**-**	55
Share of post-acquisition reserves	**1,667**	4,364	**-**	-
	6,597	9,294	**4,755**	4,755
Less: Accumulated impairment losses	**(4,930)**	(4,875)	**(4,755)**	(4,700)
	1,667	4,419	**-**	55

Name	Country of incorporation	Principal activities	Effective equity interest (%) 2018	2017
Held by the Company				
East Coast Multimedia Academy Sdn. Bhd. ^	Malaysia	Provision of multimedia services	**40**	40
E-Komoditi Sdn. Bhd. ^	Malaysia	Business to business e-commerce solution provider	**40**	40
SilverTech Global Ltd. ^	Bermuda	Investment holding	**49**	49
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 and Mohamad.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

16. INVESTMENTS IN ASSOCIATES (CONT'D.)

In the previous financial year, the Company acquired 49% interest in SilverTech Global Ltd., which is an investment holding company in Bermuda. SilverTech Global Ltd. is a private entity that is not listed on any public exchange.

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

	2018			2017		
	Vantage Point Consulting Sdn. Bhd. RM'000	**SilverTech Global Ltd. RM'000**	**E-Komoditi Sdn. Bhd. RM'000**	**Vantage Point Consulting Sdn. Bhd. RM'000**	**SilverTech Global Ltd. RM'000**	**E-Komoditi Sdn. Bhd. RM'000**
Assets and liabilities						
Current assets	**28,777**	**1,668**	**4,048**	29,813	1,814	1,847
Non-current assets	**1,759**	**77**	**1,116**	2,433	963	5,024
Current liabilities	**14,352**	**(9,020)**	**(10,710)**	(15,536)	(1,889)	(9,695)
Non-current liabilities	**(121,541)**	**-**	**-**	(167)	(986)	-
Equity	**(76,653)**	**(7,275)**	**(5,546)**	16,543	(98)	(2,824)
Group's carrying amount of the investment	**4,297**	**(4,857)**	**(1,083)**	4,424	(1,788)	-
Revenue	**20,928**	**451**	**2,803**	23,341	4,677	1,656
Other income	**35**	**31**	**14**	126	11	11
Administrative expenses	**(21,308)**	**(6,286)**	**(5,524)**	(21,685)	(5,279)	(6,275)
Finance costs	**-**	**(458)**	**-**	(493)	(8)	-
(Loss)/profit before tax	**(345)**	**(6,262)**	**(2,707)**	1,289	(599)	(4,608)
Income tax expense	**(93)**	**-**	**-**	(469)	-	-
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year	**(438)**	**(6,262)**	**(2,707)**	820	(599)	(4,608)
Group's share of (loss)/profit for the year	**(127)**	**(3,069)**	**(1,083)**	238	(294)	(1,843)

17. INVESTMENT IN JOINT VENTURE

During the year, the Group invested RM350,000 in 51% equity interest in a jointly-controlled entity, Uji Bestari Sdn. Bhd., through a subsidiary, HeiTech Next Sdn. Bhd.. This joint venture is incorporated in Malaysia and is in the business of the provision of e-testing services for motor vehicle licenses.

The aggregate amounts of each of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in the jointly-controlled entity are as follows:

	Group 2018 RM'000
Assets and liabilities:	
Total assets	**480**
Total liabilities	**(686)**
Income and expenses:	
Income	**-**
Expenses	**(55)**

18. OTHER INVESTMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Redeemable convertible preference shares in subsidiaries	**-**	-	**2,140**	2,140
Unquoted equity instruments	**1,170**	2,914	**1,170**	2,751
	1,170	2,914	**3,310**	4,891

19. CONTRACT BALANCES

Information about contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Contract assets	**20,227**	22,903	**20,227**	22,903
Current				
Contract assets	**45,635**	65,607	**43,350**	38,933
Contract liabilities	**(22,770)**	(8,495)	**(21,208)**	(8,117)

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers. Contract liabilities are recognised as revenue as the Group performs under the contract.

(i) Significant changes in contract assets are explained as follows:

	2018	
	Group RM'000	Company RM'000
Contract asset reclassified to receivables	**(65,607)**	**(38,933)**
Reversal of impairment loss on contract asset	**14**	**14**

(ii) Significant change in contract liabilities is explained as follows:

	2018	
	Group RM'000	Company RM'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**8,117**	**1,554**

19. CONTRACT BALANCES (CONT'D.)

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are, as follows:

	2018	
	Group RM'000	**Company RM'000**
Within one year	**244,733**	**214,891**
More than one year	**186,846**	**186,169**
	431,579	**401,060**

The remaining performance obligations expected to be recognised in more than one year relate to maintenance revenue. All the other remaining performance obligations are expected to be recognised within one year.

Set out below is the movement in the allowance for expected credit losses of contract assets:

	Group RM'000	**Company RM'000**
At 1 January 2018	-	-
Adoption of MFRS 9	46	46
	46	46
Reversal of provision for expected credit losses (Note 9)	(14)	(14)
At 31 December	32	32

20. DEFERRED TAXATION

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:

	Unutilised tax losses RM'000	Unabsorbed capital allowances RM'000	Capital allowance and depreciation differences RM'000	Other deductible/ (taxable) temporary differences RM'000	Total RM'000
At 1 January 2017	312	539	(1,772)	185	(736)
Recognised in profit or loss (Note 10)	80	(2)	289	(51)	316
At 31 December 2017 and 1 January 2018	392	537	(1,483)	134	(420)
Recognised in profit or loss (Note 10)	643	1,961	(2,332)	(117)	155
At 31 December 2018	**1,035**	**2,498**	**(3,815)**	**17**	**(265)**
Deferred tax (assets)/liabilities of the Company:					
At 1 January 2017	256	539	(795)	-	-
Recognised in profit or loss (Note 10)	88	(2)	(77)	(9)	-
At 31 December 2017 and 1 January 2018	344	537	(872)	(9)	-
Recognised in profit or loss (Note 10)	643	1,961	(2,613)	9	-
At 31 December 2018	**987**	**2,498**	**(3,485)**	**-**	**-**

20. DEFERRED TAXATION (CONT'D.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	**(286)**	(505)	**-**	-
Deferred tax assets	**21**	85	**-**	-
	(265)	(420)	**-**	-

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unutilised tax losses	**30,038**	13,337	**10,166**	7,146

At the reporting date, the Group and the Company have unabsorced capital allowances, unutilised tax losses and other deductible temporary differences that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to a 7-year limitation on the carry forward of those losses under the Finance Bill 2018 and guidelines issued by the tax authority.

21. INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
Cost		
Consumables	**639**	758

During the financial year, the amounts of inventories recognised as expense in bulk mailing processing charges of the Group were RM6,376,000 (2017: RM6,750,000).

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22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables				
Third parties	**87,392**	114,715	**67,794**	89,666
Amounts due from subsidiaries	**-**	-	**21,118**	23,051
Amount due from an associate	**273**	-	**273**	-
	87,665	114,715	**89,185**	112,717
Less: Allowance for expected credit losses				
- Third parties	**(28,175)**	(25,586)	**(24,956)**	(20,398)
- Amounts due from subsidiaries	**-**	-	**(5,456)**	(7,435)
- Amount due from an associate	**(273)**	-	**(273)**	-
	59,217	89,129	**58,500**	84,884
Other receivables				
Amounts due from subsidiaries	**-**	-	**14,539**	18,902
Amount due from an associate	**41**	637	**41**	637
Deposits	**2,147**	2,708	**1,610**	2,210
Sundry receivables	**25,627**	33,286	**23,785**	28,428
	27,815	36,631	**39,975**	50,177
Less: Allowance for expected credit losses				
- Sundry receivables	**(23,893)**	(23,556)	**(23,438)**	(23,291)
- Amounts due from subsidiaries	**-**	-	**(5,780)**	(989)
- Amounts due from an associate	**(41)**	-	**(41)**	-
	3,881	13,075	**10,716**	25,897
Total trade and other receivables	**63,098**	102,204	**69,216**	110,781

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days (2017: 30 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. On initial recognition, the Group and the Company recognised them at their original invoiced amount, which is their fair values. The Group and the Company hold trade receivables to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest.

22. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

Set out below is the movement in the allowance for expected credit losses of trade receivables (including amounts due from subsidiaries - trade):

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	**25,586**	25,002	**27,833**	27,583
Adoption of MFRS 9	**3,782**	-	**2,147**	-
	29,368	25,002	**29,980**	27,583
Provision for expected credit losses (Note 9)	**1,483**	1,571	**705**	763
Reversal of impairment loss (Note 9)	**(2,015)**	(858)	**-**	(513)
Written-off	**(388)**	(129)	**-**	-
At 31 December	**28,448**	25,586	**30,685**	27,833

(b) Amounts due from subsidiaries

Amounts due from subsidiaries are non-interest bearing, unsecured and are repayable on demand.

(c) Amount due from an associate

Amounts due from an associate is non-trade in nature, non-interest bearing, unsecured and are repayable on demand.

(d) Sundry receivables

Set out below is the movement in the allowance for expected credit losses of sundry receivables (including amounts due from subsidiaries - non-trade):

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	**23,556**	25,542	**24,280**	25,087
Effects of adoption of MFRS 9	**(1,330)**	-	**(341)**	-
	22,226	25,542	**23,939**	25,087
Charge for the year (Note 9)	**1,708**	49	**5,320**	1,038
Reversal of impairment loss (Note 9)	**-**	(2,035)	**-**	(1,845)
At 31 December	**23,934**	23,556	**29,259**	24,280

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23. CONTRACT COSTS ASSETS

	Group and Company 2018 RM'000
Capitalised fulfilment costs	
At 1 January	**67,569**
Effects of adoption of MFRS 15	**(11,244)**
	56,325
Recognised in profit or loss	**(21,051)**
At 31 December	**35,274**

24. CASH AND BANK BALANCES

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2018 RM'000**
Cash at banks and on hand	**20,316**	22,138	**12,186**	7,673
Deposits with licensed banks	**46,876**	72,749	**40,046**	64,685
Cash and bank balances	**67,192**	94,887	**52,232**	72,358

Deposits with licensed banks of the Group and of the Company amounting to RM46,876,000 (2017: RM68,120,000) and RM40,046,000 (2017: RM64,685,000) 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 2018 for the Group and for the Company was 2.49% (2017: 2.49%) per annum and 3.15% (2017: 2.22%) per annum respectively. The average days to maturity period as at 31 December 2018 for the Group and for the Company were 124 days (2017: 124 days) and 148 days (2017: 107 days) respectively.

24. CASH AND BANK BALANCES (CONT'D.)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	**67,192**	94,887	**52,232**	72,358
Less: Bank overdrafts (Note 25)	**(14,466)**	(12,922)	**(14,192)**	(12,922)
	52,726	81,965	**38,040**	59,436
Deposits with licensed banks with maturity more than 3 months	**-**	(4,629)	**-**	-
Deposits pledged as securities for bank borrowings	**(46,876)**	(68,120)	**(40,046)**	(64,685)
Cash and cash equivalents	**5,850**	9,216	**(2,006)**	(5,249)

25. LOANS AND BORROWINGS

		Group		Company	
	Maturity	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current					
Secured:					
Term loans	2018	**884**	15,443	**-**	14,818
Bank overdrafts	On demand	**14,466**	12,922	**14,192**	12,922
Revolving credits	2018	**62,251**	89,936	**62,547**	84,300
Contract Financing		**11,354**	11,025	**11,354**	11,025
Obligations under finance leases (Note 29 (c))	2018	**470**	704	**113**	103
		89,425	130,030	**88,206**	123,168
Non-current					
Secured:					
Term loans	2019 - 2023	**3,636**	19,250	**-**	14,552
Obligations under finance leases (Note 29(c))	2019 - 2021	**1,009**	1,313	**156**	271
		4,645	20,563	**156**	14,823
Total loans and borrowings		**94,070**	150,593	**88,362**	137,991

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25. LOANS AND BORROWINGS (CONT'D.)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Maturity of loans and borrowings:				
Within one year	**89,425**	130,030	**88,206**	123,168
More than 1 year and less than 2 years	**1,354**	15,858	**116**	14,097
More than 2 years and less than 5 years	**3,291**	4,705	**40**	726
	94,070	150,593	**88,362**	137,991

Term loans

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Term loan 1	a	**-**	29,370	**-**	29,370
Term loan 2	b	**4,520**	5,323	**-**	-
		4,520	34,693	**-**	29,370

(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 was 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 Inter-City MPC (M) Sdn. Bhd. in relation to the acquisition of Pro Office Solutions Sdn. Bhd.

Term loan 2 is secured by the following:

- First legal charge over a building of the subsidiary as disclosed in Note 13;
- Joint and several guarantee by certain directors.

The weighted average effective interest rate of term loans of the Group were 6.0% (2017: 6.12%) per annum. The repayment of the Group's term loans are due from 2018 to 2023.

25. LOANS AND BORROWINGS (CONT'D.)

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 7.5% (2017: 6.3%) per annum.

Revolving credits

Revolving credits are secured by deposits with licensed banks, negative pledge on all present and future unencumbered assets of the Company. The weighted average effective interest rate of revolving credits was 5.42% (2017: 5.62%) per annum.

A reconcilliation of liabilities arising from the Group's financing activities excluding bank overdrafts is as follows:

		Cash changes		Non-cash changes			
	1 January 2018 RM'000	Cash flows RM'000	Interest paid RM'000	Accretion of interest RM'000	New leases RM'000	Others* RM'000	31 December 2018 RM'000
Group							
Term loans							
- non-current	**19,250**	**(14,817)**	**(820)**	**820**	**-**	**(797)**	**3,636**
- current	**15,443**	**(15,356)**	**(673)**	**673**	**-**	**797**	**884**
Revolving credits	**89,936**	**(27,685)**	**(6,867)**	**6,867**	**-**	**-**	**62,251**
Project financing	**11,025**	**329**	**(667)**	**667**	**-**	**-**	**11,354**
Obligations under finance leases							
- non-current	**1,313**	**-**	**(22)**	**22**	**-**	**(304)**	**1,009**
- current	**704**	**(538)**	**(104)**	**104**	**-**	**304**	**470**
Total	**137,671**	**(58,067)**	**(9,153)**	**9,153**	**-**	**-**	**79,604**

		Cash changes		Non-cash changes			
	1 January 2017 RM'000	Cash flows RM'000	Interest paid RM'000	Accretion of interest RM'000	New leases RM'000	Others* RM'000	31 December 2017 RM'000
Term loans							
- non-current	32,748	-	(131)	131	-	(13,498)	19,250
- current	17,502	(15,549)	(2,399)	2,391	-	13,498	15,443
Revolving credits	74,375	15,302	(7,128)	7,387	-	-	89,936
Project financing	10,703	426	(651)	547	-	-	11,025
Obligations under finance leases							
- non-current	474	-	(31)	31	1,326	(487)	1,313
- current	326	(371)	(95)	95	262	487	704
Total	136,128	(192)	(10,435)	10,582	1,588	-	137,671

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25. LOANS AND BORROWINGS (CONT'D.)

		Cash changes		Non-cash changes			
	1 January 2018 RM'000	Cash flows RM'000	Interest paid RM'000	Accretion of interest RM'000	New leases RM'000	Others* RM'000	31 December 2018 RM'000
Company							
Term loans							
- non-current	**14,552**	**(14,552)**	**(733)**	**733**	**-**	**-**	**-**
- current	**14,818**	**(14,818)**	**(555)**	**555**	**-**	**-**	**-**
Revolving credits	**84,300**	**(21,753)**	**(6,356)**	**6,356**	**-**	**-**	**62,547**
Project financing	**11,025**	**329**	**(667)**	**667**	**-**	**-**	**11,354**
Obligations under finance leases							
- non-current	**271**	**-**	**(7)**	**7**	**-**	**(115)**	**156**
- current	**103**	**(105)**	**(3)**	**3**	**-**	**115**	**113**
Total	**125,069**	**(50,899)**	**(8,321)**	**8,321**	**-**	**-**	**74,170**

		Cash changes		Non-cash changes			
	1 January 2017 RM'000	Cash flows RM'000	Interest paid RM'000	Accretion of interest RM'000	New leases RM'000	Others* RM'000	31 December 2017 RM'000
Term loans							
- non-current	16,944	(14,770)	(2,174)	2,166	-	12,386	14,552
- current	27,204	-	(131)	131	-	(12,386)	14,818
Revolving credits	74,376	9,666	(6,656)	6,914	-	-	84,300
Project financing	10,703	426	(651)	547	-	-	11,025
Obligations under finance leases							
- non-current	379	-	(17)	17	-	(108)	271
- current	102	(107)	(4)	4	-	108	103
Total	129,708	(4,785)	(9,633)	9,779	-	-	125,069

*The 'other' column relates to reclassification of non-current portion of loans and borrowings due to passage of time.

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Trade payables				
Third parties	**64,444**	55,345	**41,969**	33,993
Amounts due to subsidiaries	**-**	-	**58,419**	57,753
Amount due to an associate	**1,118**	1,273	**1,118**	1,273
	65,562	56,618	**101,506**	93,019
Other payables				
Amount due to directors of a subsidiary	**3,466**	4,972	**-**	-
Amount due to a related party	**355**	1,000	**355**	1,000
Deposits	**614**	660	**614**	660
Accruals	**13,751**	13,649	**13,041**	11,530
Sundry payables	**9,537**	41,671	**4,708**	25,452
	27,723	61,952	**18,718**	38,642
Total trade and other payables	**93,285**	118,570	**120,224**	131,661

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2017: 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

	Group and Company			
	Number of ordinary shares		Amount	
	2018 '000	**2017 '000**	**2018 RM'000**	**2017 RM'000**
At 1 January/31 December	**101,225**	101,225	**117,751**	117,751

The new Companies Act 2016 (the "Act") in Malaysia which came into effect on 31 January 2017 abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the provision set out in Section 618(2) of the Act.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

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28. FOREIGN CURRENCY TRANSLATION RESERVE

	Group	
	2018 RM'000	**2017 RM'000**
At 1 January	**(331)**	663
Other comprehensive income:		
Foreign currency translation	**(692)**	(994)
At 31 December	**(1,023)**	(331)

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.

29. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group and Company	
	2018 RM'000	**2017 RM'000**
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	**1,670**	691
Approved but not contracted for:		
Property, plant and equipment	**52**	52

(b) Operating lease commitments - as lessee

The Group and the Company have 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.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group and Company	
	2018 RM'000	**2017 RM'000**
Future minimum lease payments:		
Not later than 1 year	**4,290**	4,290
Later than 1 year and not later than 5 years	**8,223**	-
	12,513	4,290

29. COMMITMENTS (CONT'D.)

(c) Finance lease commitments

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Minimum lease payments:				
Not later than 1 year	**548**	816	**123**	123
Later than 1 year but not later than 2 years	**548**	504	**123**	123
Later than 2 years but not later than 5 years	**532**	958	**38**	159
Total minimum lease payments	**1,628**	2,278	**284**	405
Less: Future finance charges	**(149)**	(261)	**(15)**	(31)
Present value of minimum lease payments	**1,479**	2,017	**269**	374
Analysis of present value of finance lease liabilities:				
Not later than 1 year	**470**	704	**113**	103
Later than 1 year but not later than 2 years	**498**	422	**118**	112
Later than 2 years but not later than 5 years	**511**	891	**38**	159
	1,479	2,017	**269**	374
Less: Amount due within 12 months	**(470)**	(704)	**(113)**	(103)
Amount due after 12 months	**1,009**	1,313	**156**	271

The Group has entered into hire purchase agreements for property, plant and equipment as disclosed in Note13. The hire purchase payable of the Group and of the Company bore effective interest rate of 4.07% - 5.12% (2017: 4.07% - 5.12%) per annum and 4.75% (2017: 4.75%) per annum respectively.

(d) Financial guarantee

	Company	
	2018 RM'000	**2017 RM'000**
Unsecured:		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	**13,450**	5,213

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.

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30. CONTINGENT LIABILITY

On 8 October 2018, the Group received an action by a sub-contractor in respect of disputed outstanding payment amounting to RM2,730,000 for purported services rendered. A trial date has been fixed from 7 to 9 August 2019. Based on available information and legal advice received, the management is of the view that there is a good chance of defending the above claim and therefore, no provision has been made in the financial statements.

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:

	2018 RM'000	2017 RM'000
Group		
Services provided to Permodalan Nasional Berhad (PNB), a corporate shareholder of the Company:		
- Network related services	**(6,746)**	(8,503)
Services provided to Amanah Saham Nasional Berhad, a fund manager of PNB	**(20,788)**	(24,627)
Rental income of office space receivable from PNB	**(628)**	(717)
Rental expenses of building payable to PNB	**4,882**	4,981
Company		
Cost of services rendered by subsidiaries	**230,182**	283,568
Rental expenses of building payable to PNB	**4,882**	4,981
Dividend income received from subsidiaries	**-**	(4,600)
Rental income of equipment receivable from subsidiaries	**(4,253)**	(6,881)
Rental income of office space receivable from PNB	**(628)**	(717)
Office rental receivable from a subsidiary	**(210)**	(254)

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefits	**1,754**	3,653	**1,754**	3,479
Defined contribution plan	**188**	172	**188**	172
	1,942	3,825	**1,942**	3,651

Included in the total key management personnel is:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' remuneration (Note 7)	**1,481**	1,619	**1,360**	1,445

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 President 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 the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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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 other 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.
- Nominal amount of RM13,450,000 (2017: RM5,123,000) relating to corporate guarantees provided by the Company on two (2017: one) subsidiaries' bank loan.

Credit risk concentration

At the reporting date, approximately 83% (2017: 70%) of the Group's trade receivables were due from commercial sector agencies in Malaysia.

Trade and other receivables and contract assets

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are provided in full if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

(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 liquidity risk management is to maintain sufficient level of cash to meet their 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 funds from shareholders, capital market 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 financial 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 2018			
Financial liabilities:			
Trade and other payables (Note 26)	**93,285**	**-**	**93,285**
Loans and borrowings (Note 25)	**89,594**	**4,938**	**94,532**
Total undiscounted financial liabilities	**182,879**	**4,938**	**187,817**
31 December 2017			
Financial liabilities:			
Trade and other payables (Note 26)	118,570	-	118,570
Loans and borrowings (Note 25)	131,685	21,619	153,304
Total undiscounted financial liabilities	250,255	21,619	271,874
Company			
31 December 2018			
Financial liabilities:			
Trade and other payables (Note 26)	**120,224**	**-**	**120,224**
Loans and borrowings (Note 25)	**88,206**	**284**	**88,490**
Total undiscounted financial liabilities	**208,430**	**284**	**208,714**
31 December 2017			
Financial liabilities:			
Trade and other payables (Note 26)	131,661	-	131,661
Loans and borrowings (Note 25)	124,609	15,466	140,075
Total undiscounted financial liabilities	256,270	15,466	271,736

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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 of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The Group's and the Company's policy is to manage interest expense 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 and the Company's (loss)/profit net of tax would have been RM174,000 (2017: RM228,000) higher/lower and RM159,000 (2017: RM192,000) lower/higher respectively, 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. 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 operates mainly in Malaysia and transacts predominantly in RM. The Group has minimal transactional currency exposure arising from sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

		Group		Company	
	Note	Carrying amount RM'000	Fair value Level 2 RM'000	Carrying amount RM'000	Fair value Level 2 RM'000
2018					
Financial liability					
Loans and borrowings (non-current)					
- Obligations under finance leases	25	**1,009**	**1,012**	**156**	**158**
2017					
Financial liability					
Loans and borrowings (non-current)					
- Term loans	25	19,250	16,650	14,552	12,921
- Obligations under finance leases	25	1,313	1,315	271	274

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd.)

Non-current loans and borrowings-fixed rate

The fair value of non-current loans and borrowings at fixed rates are categorised as Level 2 in the fair value hierarchy as they are estimated by discounting the expected future cash flows at market incremental lending rate available for similar types of lending, borrowing or leasing arrangements at the reporting date.

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	22
Loans and borrowings (current)	25
Loans and borrowings - floating rate (non-current)	25
Trade and other payables	26

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to the relatively short-term nature, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

34. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratios in order to support their business and maximise shareholder's value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company 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 2018 and 31 December 2017.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's and the Company's policy is to keep the gearing ratio at reasonable level. The Group and the Company include within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to owners of the parent.

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loans and borrowings	25	**94,070**	150,593	**88,362**	137,991
Trade and other payables	26	**93,285**	118,570	**120,224**	131,661
Less: Cash and bank balances	24	**(67,192)**	(94,887)	**(52,232)**	(72,358)
Net debt		**120,163**	174,276	**156,354**	197,294
Equity attributable to owners of the parent, representing total capital		**105,955**	151,222	**91,936**	120,030
Capital and net debt		**226,118**	325,498	**248,290**	317,324
Gearing ratio		**53%**	54%	**63%**	62%

35. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services, and has three reportable operating segments as follows:

(i) Information technology
(ii) Mailing and document processing services
(iii) Engineering works

35. SEGMENT INFORMATION (CONT'D.)

However, due to the changes in the business landscape, the Group has revised the way it segmentises the entities by taking into consideration the decision making process and business challenges that are faced by the Group. The Group is reorganised based on business maturity and has three reportable segments as follows:

(i) Core 1

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

(ii) Core 2

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

(iii) Core 3

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

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

The change in segment reporting has no impact on the net profit or loss of the Group. To enable comparisons with prior period performance, historical segment information for the year ended 31 December 2017 is restated.

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 not allocated to operating segments.

Transfer prices between operating segments are at terms agreed between the parties during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

35. SEGMENT INFORMATION (CONT'D.)

	Core 1		Core 2		Core 3		Adjustments and eliminations			Consolidated financial statements	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	Notes	2018 RM'000	2017 RM'000
Revenue:											
External sales	**258,094**	293,521	**121,352**	133,351	**-**	-	**-**	-		**379,446**	426,872
Inter-segment	**216,832**	271,187	**12,457**	12,381	**-**	-	**(229,289)**	(283,568)	A	**-**	-
Total	**474,926**	564,708	**133,809**	145,732	**-**	-	**(229,289)**	(283,568)		**379,446**	426,872
Results:											
Finance costs	**(10,914)**	(12,552)	**(329)**	(549)	**-**	(202)	**-**	-		**(11,243)**	(13,303)
Interest income	**1,422**	1,438	**347**	423	**-**	-	**-**	-		**1,769**	1,861
Depreciation and amortisation	**(14,833)**	(9,014)	**(4,382)**	(3,664)	**-**	-	**-**	-		**(19,215)**	(12,678)
Other non-cash items	**(8,416)**	(2,626)	**(7,466)**	(905)	**-**	-	**-**	(4,335)	B	**(15,882)**	(7,866)
Share of results of associates	**(2,697)**	(56)	**-**	-	**-**	-	**-**	-		**(2,697)**	(56)
Profit/(loss) before tax	**9,470**	1,953	**(33,385)**	(3,797)	**-**	202	**(12,516)**	(12,899)	C	**(36,431)**	(14,541)
Assets:											
Investment in associates	**-**	55	**-**	-	**-**	-	**1,667**	4,364		**1,667**	4,419
Additions to non-current assets	**33,489**	5,995	**2,699**	2,803	**-**	-	**-**	-	D	**36,188**	8,798
Segment assets	**391,429**	448,868	**64,546**	143,107	**-**	-	**(142,413)**	(156,059)	E	**313,562**	435,916
Liabilities:											
Segment liabilities	**154,666**	148,799	**46,848**	69,271	**-**	-	**(9,525)**	61,594	F	**211,039**	279,664

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 items consist of the following items as presented in the respective notes to the financial statements:

	Note	2018 RM'000	2017 RM'000
Impairment loss on intangible assets	9	**13,556**	9,200
Impairment loss on trade and other receivables	9	**3,191**	1,620
Impairment loss on investments in associates	9	**55**	-
Impairment loss on property, plant and equipment	9	**736**	-
Reversal of impairment loss on trade and other receivables	9	**(2,015)**	(2,893)
Property, plant and equipment written off	9	**408**	-
Unrealised foreign exchange gain	9	**(149)**	(61)
Fair value loss on other investments	9	**100**	-
		15,882	7,866

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

	2018 RM'000	2017 RM'000
Expenses from inter-segment	**1,423**	460
Share of results of associates	**(2,697)**	(56)
Finance costs	**(11,242)**	(13,303)
	(12,516)	(12,899)

D Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000
Property, plant and equipment	**33,538**	7,316
Intangible assets	**2,300**	1,482
Investment in a joint venture	**350**	-
	36,188	8,798

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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:

	2018 RM'000	2017 RM'000
Inter-segment assets	**(145,348)**	(156,956)
Investment in associates	**-**	55
Investment in a joint venture	**350**	-
Deferred tax assets	**21**	85
Tax recoverable	**2,564**	757
	(142,413)	(156,059)

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

	2018 RM'000	2017 RM'000
Inter-segment liabilities	**(104,509)**	(91,005)
Loan and borrowings	**94,070**	150,593
Defererred tax liabilities	**286**	505
Tax payable	**628**	1,501
	(9,525)	61,594

Geographical information

Revenue and non-current assets information based on the geographical location of the operations of the Group are as follows:

	Revenue		Non-current assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
By country:				
Malaysia	**375,681**	420,488	**68,118**	60,646
Australia	**3,309**	4,117	**3,793**	8,933
Indonesia	**456**	2,267	**2,899**	3,574
	379,446	426,872	**74,810**	73,153

35. SEGMENT INFORMATION (CONT'D.)

Non-current assets information presented consist of the following items as presented in the consolidated statement of financial position:

	2018 RM'000	2017 RM'000
Property, plant and equipment	**64,655**	50,705
Intangible assets	**10,155**	22,448
	74,810	73,153

Information about major customers

Revenue from major customers from the public sector represents 30% of total sales of the Group arising from sales by the Core 1 segment.

36. SUBSEQUENT EVENTS

Events subsequent to the reporting date are as follows:

- On 9 January 2019, the Company secured a contract for supplying, transmitting, installing, configuring, testing and commissioning of Critical Care Information System (CCIS) in Intensive Care Unit for 11 hospitals under the Ministry of Health. The contract value is RM33,179,000 for a period of 36 months from 1 February 2019 to 31 January 2022.

- On 31 January 2019, the Company secured a contract to renew software license for mainframe systems of Lembaga Hasil Dalam Negeri Malaysia valued at RM14,400,000. The contract is for a period of 2 years commencing from 1 February 2019 to 31 January 2021.

- On 5 March 2019, the Company secured a contract in respect of development and integration of Pertubuhan Keselamatan Sosial's Scheme Management Application System. The contract value is RM23,333,000 for a period of 38 months commencing from 13 March 2019 to 12 May 2022.

- On 24 April 2019, the Company secured a concession contract for development and management of Smart Parking System for Majlis Perbandaran Seberang Perai, Pulau Pinang ("MPSP"). The contract is a revenue sharing concession between HeiTech and MPSP at the agreed rates within the parties on the parking revenue collected. The contract is for a period of seven years commencing from 1 May 2019 to 30 April 2026.

- On 24 April 2019, the Company secured a concession contract for development and management of Smart Parking System for Majlis Bandaraya Pulau Pinang ("MPBP"). The contract is a revenue sharing concession between HeiTech and MBPP at the agreed rates within the parties on the parking revenue collected. The contract is for a period of 5 years commencing from 24 April 2019 to 23 April 2024 with additional option to renew for another two years until 23 April 2026.

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 29 April 2019.

LIST OF PROPERTIES
AS AT 31 DECEMBER 2018

Location	Description	Land/ Build-up Area	Current Usage	Land/ Tenure	Net Book Value as at 31.12.2018	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	RM5.497 Million	RM77 Million	19 September 2018
Cyberjaya	HS (D) 7091 P.T. No. 12105,Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan	0.4815 hectares	Vacant Land	Freehold	RM2.52 Million	RM 6.74 Million	16 November 2018

SHAREHOLDING ANALYSIS

DIRECTORS' SHAREHOLDING AS AT 9TH APRIL 2019

No	Name of Directors	Total Shareholdings
1	DATO' SRI MOHD HILMEY BIN MOHD TAIB	7,330,184
2	HARRIS BIN ISMAIL	1,250
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	DATUK MOHD RADZIF BIN MOHD YUNUS	-
7	SULAIMAN HEW BIN ABDULLAH	-
8	WAN AINOL ZILAN BINTI ABDUL RAHIM	-
9	AMIZAR BINTI MIZUAR	-
	Total	**7,331,434**

SUBSTANTIAL SHAREHOLDERS AS AT 9TH APRIL 2019

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	15,134,700	14.951
	Total		**45,464,700**	**44.914**

ANALYSIS BY SIZE OF HOLDINGS AS AT 9TH APRIL 2019

Size of Shareholdings	No of Shareholders/ Depositors	Holder Percentage	No of Shares/ Securities	Holding Percentage
1-99	327	10.052	11,513	0.011
100-1,000	508	15.616	319,515	0.315
1,001-10,000	1,752	53.858	7,536,829	7.446
10,001-100,000	593	18.229	19,049,155	18.819
100,001 and above	73	2.244	74,308,188	73.409
Total	**3253**	**100**	**101,225,200**	**100**

SHAREHOLDING ANALYSIS

THIRTY (30) LARGEST SHAREHOLDINGS AS AT 9TH APRIL 2019

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	15,134,700	14.951
3.	ABB NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD HILMEY MOHD TAIB	4,465,400	4.411
4.	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	3,387,500	3.346
5.	MOHD HILMEY BIN MOHD TAIB	2,864,784	2.830
6.	LIM BEE SAN	1,280,000	1.264
7.	SAFIEE BIN MOHAMMAD	1,012,045	0.999
8.	ONG HUNG HOCK	1,000,000	0.987
9.	LEE KEK MING	800,000	0.790
10.	LIM HUI HUAT @ LIM HOOI CHANG	765,000	0.755
11.	YONG WEI LING	662,000	0.653
12.	LIEW SWEE MIO @ LIEW HOI FOO	532,000	0.525
13.	WAN ZAIDI BIN WAN JAAFAR	500,795	0.494
14.	GOH TEN FOOK	500,300	0.494
15.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AHMAD NAZRI BIN ABDULLAH (MARGIN)	500,000	0.493
16.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN TUNG HAI (1011125)	500,000	0.493
17.	KAMSIAH BINTI ABU	360,190	0.355
18.	CHE NGAH BIN IBRAHIM	339,681	0.335
19.	ALUWIE BIN RAPA'EE	300,000	0.296
20.	GOH SIANG GIANG	292,700	0.289
21.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MANIMEGALAI A/P KOLANDAN	290,000	0.286
22.	LIM SANG HEE	290,000	0.286
23.	LIM WEE LIANG	270,000	0.266
24.	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAFIDAH BINTI PAWANCHIK (SMT)	253,500	0.250
25.	MARIAM BINTI HARON	252,405	0.249
26.	LIM YOON CHE	246,174	0.243
27.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM LIAN SENG (800394)	245,600	0.242
28.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHUA LEE PING	244,800	0.241
29.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA MENG KEAT	244,000	0.241
30.	SOO SHUH JIUN	220,000	0.217
	Total	**68,757,574**	**67.909**


NOTICE

- Notice of Annual General Meeting
- Statement Accompanying Notice of Annual General Meeting
- Administrative Guidelines and Notes

- Proxy Form

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE TWENTY FOURTH (24TH) ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT GLENMARIE BALLROOM, HOLIDAY INN KUALA LUMPUR GLENMARIE, 1 JALAN USAHAWAN U1/8, SEKSYEN U1, 40250 SHAH ALAM, SELANGOR, MALAYSIA ON THURSDAY, 27 JUNE 2019 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 2018 together with the Reports of Directors and Auditors thereon. **Please refer to Explanatory Note 1**

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

   (i) Dato' Haji Ghazali bin Awang **Resolution 1**
   (ii) Sulaiman Hew bin Abdullah **Resolution 2**
   (iii) Amizar binti Mizuar **Resolution 3**

3. To re-elect Datuk Mohd Radzif bin Mohd Yunus who are retiring in accordance with Article 85 of the Company's Constitution and who being eligible, offers himself for re-election. **Resolution 4**

4. To re-elect Encik Harris bin Ismail who are retiring in accordance with Article 85 of the Company's Constitution and who being eligible, offers himself for re-election. **Resolution 5**

5. To approve the payment of Directors' Fees, amounting to RM210,000 for the financial year ended 31 December 2018. **Resolution 6**

6. To approve the increase in Directors' Meeting Allowances and made payable for the period 28th June 2019 until the next AGM. (Please see explanatory Note 2) **Resolution 7**

7. To approve the provision of Chairman's Allowances of RM3,000 per month for the Chairman of HeiTech Padu Berhad. **Resolution 8**

8. To re-appoint Messrs. Hanafiah Raslan & Mohamad as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 9**

AS SPECIAL BUSINESS:

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

9. 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 2017:

   (i) Dato' Haji Ghazali bin Awang **Resolution 10**
   (ii) Dato' Mohd Fadzli bin Yusof **Resolution 11**
   (iii) Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor **Resolution 12**

10. Proposed Authority to Issue Shares. **Resolution 13**

    "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and subject

NOTICE OF ANNUAL GENERAL MEETING

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."

11. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature. **Resolution 14**

    "That, subject to the Companies Act, 2016 ("the Act"), the Constitution 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 30 April 2019, 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."

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

By Order of the Board
HEITECH PADU BERHAD

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

Subang Jaya
30 April 2019

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and vote at the meeting on his/her behalf. The proxy may but need not be a member of the Company and where there are two (2) proxies, the number of shares to be represented by each proxy must be stated.

2. A Member shall not 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 24 June 2019 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 2018 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
   During the financial year, the Remuneration Committee conducted a review of the remuneration levels of the Directors, taking into account various factors which include the commitment required, the fiduciary and statutory duties required under the various laws and regulations. The Board subsequently approved the Remuneration Committee recommendation for the increase of Directors' meeting allowances based on the following:-

Meeting allowances approved in 2018		Proposed allowances from 28 June 2019 until the next AGM	
Board of Directors Meeting		Board of Directors Meeting	
Chairman	RM1500	Chairman	RM2500
Member	RM1000	Member	RM2000
Board Committee Meeting		Board Committee Meeting	
Chairman	RM1500	Chairman	RM2500
Member	RM1000	Member	RM2000

3. Item 7 of the Agenda

   To approve the provision of Chairman's allowances of RM3,000 per month for the Chairman of HeiTech Padu Berhad.
   In view of the appointment of Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor as Chairman of HeiTech Padu Berhad, the remuneration were revised to commensurate with the Chairman's responsibilities, commitment, and contribution with reference to his statutory duties, the complexity of the Group's businesses and increased expectation of various stakeholders.

4. Item 9 of the Agenda
   Continuing in Office as Independent Non-Executive Director

   The proposed resolutions if passed, will allow Dato' Haji Ghazali bin Awang, Dato' Mohd Fadzli bin Yusof, and Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor to be retained and continue acting as Independent Directors, via a two-tier voting process, and to fulfil the requirement of Paragraph 3.04 of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Dato' Haji Ghazali bin Awang, Dato' Mohd Fadzli bin Yusof, and Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor were appointed as Independent Non-Executive Directors of the Company on 8 March 2005, 7 October 2005, and 17 October 2006 respectively and have exceeded cumulative nine (9) years term limit recommended by the MCCG 2017.

In accordance with MCCG 2017, the Board of Directors of the Company, after having assessed the independence of Dato' Haji Ghazali bin Awang, Dato' Mohd Fadzli bin Yusof, and 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.

5. Item 10 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 23rd Annual General Meeting held on 28 June 2018 and which will lapse at the conclusion of the 24th Annual General Meeting to be held on 27 June 2019. A renewal of this mandate is sought at the 24th AGM under proposed Ordinary Resolution 13.

The proposed Ordinary Resolution 13 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.

6. Item 11 of the Agenda
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolution 14 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 14, please refer to Circular to Shareholders dated 30 April 2019 accompanying the Company's 2018 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the profile of the Directors who are standing for re-appointment and re-election are set out on pages 50 to 58 of the Annual Report and the details of the Directors' shareholdings in the Company, are set out on page 187 of the Annual Report.

ADMINISTRATIVE GUIDELINES AND NOTES FOR HEITECH PADU BERHAD

24TH ANNUAL GENERAL MEETING

To Valued Shareholders,
Administrative guidelines and notes for HeiTech Padu Berhad 24th Annual General Meeting ("AGM")

Date : 27 June 2019

Time : 10.30 a.m.

Venue : GLENMARIE BALLROOM, HOLIDAY INN KUALA LUMPUR GLENMARIE, 1 JALAN USAHAWAN U1/8, SEKSYEN U1, 40250 SHAH ALAM

Registration

- Registration starts at 8.45 am, at the entrance of **GLENMARIE BALLROOM**.
- 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 **GLENMARIE BALLROOM**.
- 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 2018 Annual Report must be completed, signed, sent and delivered to the Company's Registrar: **Tricor Investor & Issuing House Services Sdn Bhd (11324-H), Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur by Tuesday, 25 June 2019 at 10.30 am**.
- In the case of member which is a company, the completed Proxy Form must be executed under its seal or under the hand of any officer or duly authorized attorney.

AGM ENQUIRY

- If you have any general AGM queries prior to the meeting, please do not hesitate to contact: HeiTech Padu Berhad, Group Company's Secretary Office at +(603) 8601 3125 OR the following person during office hours:

Name : SUZANA BINTI ABDUL RAHIM
Share Registrar : TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD
Tel : +(603) 2783 9299
E-mail : suzana@my.tricorglobal.com

PROXY FORM

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/members 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 Fourth (24th) Annual General Meeting of the Company to be held at Glenmarie Ballroom, Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor, Malaysia on **Thursday, 27 June 2019**, at **10.30 a.m.** or at any adjournment thereof.

The proxy is to vote on the resolutions set in the Notice of Meeting as indicated with an 'X' in the appropriate space below. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Resolutions		For	Against
Resolution 1	Re-election of Dato' Haji Ghazali bin Awang as Director		
Resolution 2	Re-election of Sulaiman Hew bin Abdullah as Director		
Resolution 3	Re-election of Amizar binti Mizuar as Director		
Resolution 4	Re-election of Datuk Mohd Radzif bin Mohd Yunus as Director		
Resolution 5	Re-election of Harris bin Ismail as Director		
Resolution 6	Approval on the payment of Directors' fees, amounting to RM210,000 in respect of the financial year ended 31 December 2018		
Resolution 7	Approval on the increase in Directors' Meeting Allowances and made payable for the period 28th June 2019 until the next AGM		
Resolution 8	Approval on the provision of Chairman's Allowances of RM3,000 per month for the Chairman of HeiTech Padu Berhad		
Resolution 9	Re-appointment of Messrs. Hanafiah Raslan & Mohamad as the Company's Auditors and authority for Directors to fix the Auditors' remuneration		
Resolution 10	Retention of Dato' Haji Ghazali bin Awang as Independent Non-Executive Director		
Resolution 11	Retention of Dato' Mohd Fadzli bin Yusof as Independent Non-Executive Director		
Resolution 12	Retention of Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor as Independent Non-Executive Director		
Resolution 13	Proposed authority for Directors to issue and allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016		
Resolution 14	Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

Dated this __________ day of __________ 2019

____
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%

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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 authorized.

4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is guided or notarially certified copy of such power or authority, must be deposited at the office of the Company's Registrar: Tricor Investor & 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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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

Please fold here to seal

www.heitech.com.my

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