

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Unaudited 2019 As at 31 December RM'000	Audited 2018 As at 31 December RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	70,336	64,655
Intangible assets	8,773	10,155
Investment in associates	1,199	1,667
Investment in joint venture	350	350
Other investments	1,334	1,170
Contract assets	-	20,227
Deferred tax assets	21	21
TOTAL NON-CURRENT ASSETS	82,013	98,245
CURRENT ASSETS		
Inventories	363	639
Trade and other receivables	82,040	63,098
Contract assets and costs	108,467	80,909
Prepayments	-	915
Tax recoverable	2,949	2,564
Cash and bank balances	46,616	67,192
TOTAL CURRENT ASSETS	240,435	215,317
CURRENT LIABILITIES		
Contract liabilities	-	22,770
Loans and borrowings	107,431	89,425
Trade and other payables	88,236	93,285
Tax payable	350	628
TOTAL CURRENT LIABILITIES	196,017	206,108
NET CURRENT ASSETS	44,418	9,209
	126,431	107,454
FINANCED BY:		
Share capital	117,751	117,751
Foreign currency translation reserve	(865)	(1,023)
Accumulated losses	(3,983)	(10,773)
Shareholders' equity	112,903	105,955
Non-controlling interests	(4,990)	(3,432)
Shareholders' Funds	107,913	102,523
Long Term Liabilities		
Deferred tax liabilities	263	286
Long term borrowings	3,929	4,645
Lease	14,326	-
Non-current liabilities	18,518	4,931
	126,431	107,454
Net asset per share attributable to ordinary equity holders of the parent (RM)	1.03	0.95

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Accounts for the year ended 31/12/2018. The document forms part of quarterly announcement for quarter ended 31/12/2019.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Individual Quarter		Cumulative Quarter	
	2019	2018	2019	2018
	Current quarter ended 31 Dec	Comparative quarter ended 31 Dec	12 months cumulative to date	Comparative 12 months cumulative to date
	RM'000	RM'000	RM'000	RM'000
Revenue	81,126	74,871	361,033	379,446
Other Income	2,459	3,343	7,738	18,066
Total Income	83,585	78,214	368,771	397,512
Employee Benefits Expense	(17,591)	(17,473)	(83,872)	(85,390)
Purchase of Hardware and Software	(6,331)	(5,713)	(108,106)	(26,692)
Telecommunication Costs	(13,729)	(8,161)	(36,242)	(29,903)
Software License and Hardware Maintenance Cost	(6,573)	(8,735)	(28,129)	(42,920)
Bulk Mailing Processing Charges	(1,760)	553	(7,171)	(12,249)
Depreciation and amortisation	(4,968)	(12,919)	(16,040)	(19,215)
Project Implementation Costs	(13,562)	(13,414)	(38,694)	(141,956)
Other Expenses	(10,576)	(40,451)	(35,824)	(61,681)
Total Expenditure	(75,090)	(106,313)	(354,078)	(420,006)
Profit/(loss) before Finance Cost	8,495	(28,099)	14,693	(22,494)
Finance Cost	(2,562)	(7,543)	(7,095)	(11,242)
Share of Results of Associated Companies	(344)	(2,893)	(939)	(2,695)
Profit/(loss) Before Taxation	5,589	(38,535)	6,659	(36,431)
Taxation	(49)	739	(512)	(355)
Profit/(loss) for the period	5,540	(37,796)	6,147	(36,786)
Profit/(loss) attributable to:				
Equity holders of the Parent	5,297	(30,390)	7,105	(27,064)
Non-controlling interests	243	(7,406)	(958)	(9,722)
	5,540	(37,796)	6,147	(36,786)
Number of Ordinary Shares	101,225	101,225	101,225	101,225
Profit/(loss) per share attributable to equity holders of the parents:				
Basic earning for the period	5.23	(30.02)	7.02	(26.74)
b) Unaudited Condensed Consolidated Statement of Comprehensive Income				
Shareholders' Funds	5,540	(37,796)	6,147	(36,786)
Foreign currency translation	(1,295)	(469)	158	(770)
Total comprehensive income	4,245	(38,265)	6,305	(37,556)
Total comprehensive income attributable to:				
Equity holders of the Parent	4,580	(30,859)	7,263	(27,756)
Minority Interest	(335)	(7,406)	(958)	(9,800)
	4,245	(38,265)	6,305	(37,556)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Accounts for the year ended 31/12/2018. The document forms part of quarterly announcement for quarter ended 31/12/2019.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
PERIOD ENDED 31 DECEMBER 2019

	Year ended 31 December 2019 RM'000	Year ended 31 December 2018 RM'000
OPERATING ACTIVITIES		
Profit/(loss) before taxation	6,660	(36,431)
Adjustments for:		
Loss/(gain) on disposal of property, plant and equipment	(315)	(10)
Gain on disposal of other investments	-	(7,543)
Interest income	(1,206)	(1,769)
Dividend income	-	(3,670)
Finance costs	7,095	11,242
Amortisation of intangible assets	1,092	1,037
Depreciation of property, plant and equipment	14,948	18,178
Property, plant and equipment written off	1,637	408
Reversal of impairment loss on:		
- trade receivables	(6,212)	(2,015)
- contract assets	-	(14)
Impairment loss on:		
- trade receivables	1,677	1,483
- other receivables	49	1,708
- investment in associates	-	55
- property, plant and equipment	-	736
- intangible assets	-	13,556
Unrealised foreign exchange gain	-	(149)
Fair value loss on other investments	-	100
Provision for onerous contract	-	845
Impairment of software development cost	1,608	-
Share of results of associates	939	2,697
Operating cash flows before changes in working capital	27,972	444
Changes in working capital		
Inventories	276	119
Trade and other receivables	(14,456)	35,535
Contract assets	(27,557)	41,328
Prepayments	915	(255)
Contract liabilities	(2,543)	14,275
Trade and other payables	(5,137)	(26,130)
Cash flows (used in)/from operations	(20,530)	65,316
Interest paid	(7,095)	(2,089)
Income taxes paid	(1,711)	(3,190)
Net cash flows (used in)/generated from from operating activities	(29,336)	60,037
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,940)	(33,538)
Interest received	1,206	1,769
Proceeds from disposal of property, plant and equipment	315	89
Software development cost incurred	(1,085)	(2,300)
Investment in a joint venture	-	(350)
Net proceed from disposal of other investment	-	9,287
Increase in investment in other investments	(634)	(100)
Dividend received	-	3,670
Addition to intangible assets	(233)	-
Net cash flows used in investing activities	(8,372)	(21,473)
FINANCING ACTIVITIES		
Drawdown/(repayment) of loans and borrowings	17,077	(57,529)
Repayment of obligations under finance leases	(1,150)	(538)
Placement of deposits with licensed banks	-	4,629
Deposits uplifted from securities for bank borrowings	11,756	21,244
Interest paid	-	(9,153)
Net cash flows generated from/(used in) financing activities	27,683	(41,347)
NET DECREASE IN CASH & CASH EQUIVALENTS	(10,024)	(2,783)
Effect of exchange rate changes on cash and cash equivalents	158	(583)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	5,850	9,216
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(4,016)	5,850
CASH & CASH EQUIVALENTS COMPRISE:		
Cash at banks and on hand	11,496	20,316
Deposits with licensed banks	35,120	46,876
Bank overdrafts	(15,512)	(14,466)
Deposit pledged as securities for bank borrowings	(35,120)	(46,876)
	(4,016)	5,850

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2019

	<u>Non -Distributable</u>		<u>Distributable</u>		Non-Controlling Interests RM'000	Total RM'000
	Share capital RM'000	Foreign Currency Translation Reserve RM'000	Retained profits/(Accumulated losses) RM'000	Total RM'000		
For the period ended 31 December 2019						
At 1 January 2019	117,751	(1,023)	(10,773)	105,955	(3,432)	102,523
Effect of MFRS 16 adoption	-	-	(315)	(315)	-	(315)
At 1 January 2019 (Restated)	117,751	(1,023)	(11,088)	105,640	(3,432)	102,208
Total comprehensive income for the period	-	158	7,105	7,263	(958)	6,305
Transaction with owners						
Dividends paid to minority interest	-	-	-	-	(600)	(600)
At 31 December 2019	117,751	(865)	(3,983)	112,903	(4,990)	107,913
For the period ended 31 December 2018						
At 1 January 2018	117,751	(331)	33,802	151,222	5,030	156,252
Effect of MFRS 15 adoption	-	-	(15,126)	(15,126)	1,451	(13,675)
Effect of MFRS 9 adoption	-	-	(2,385)	(2,385)	(113)	(2,498)
At 1 January 2018 (Restated)	117,751	(331)	16,291	133,711	6,368	140,079
Total comprehensive income for the period	-	(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

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Accounts for the year ended 31/12/2018. The document forms part of quarterly announcement for quarter ended 31/12/2019.

**UNAUDITED RESULTS FOR
THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

Notes to The Financial Statements

1. BASIS OF PREPARATION

The interim financial statements have been prepared under the historical cost convention. The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2018.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2018 except for the following new/revised Malaysian Financial Reporting Standards (“MFRS”) that are issued but not yet effective:

Effective for annual periods beginning on or after 1 January 2019.

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

The adoption of the above standards, interpretations or amendments are not expected to have material financial impacts to the financial statements of the Group except as mentioned below:

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

MFRS 16, Leases

MFRS 16 - Leases supersedes MFRS 117 - Leases and its related interpretations. MFRS 16 requires lessee to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessee – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessee will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessee will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's 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, which is effective for annual periods beginning on or after 1 January 2019, requires lessee and lessor to make more extensive disclosures than under MFRS 117.

The changes in accounting policies have been applied retrospectively from 1 January 2019. The Group elected 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 has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value. In accordance with the transition requirements, comparatives are not restated.

The Group has performed a detailed impact assessment of MFRS 16 and has recognised right-of-use assets and lease liabilities of RM16,663,719 upon adoption of MFRS 16 for leases that previously classified as operating lease.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2018 was not qualified.

4. SEASONAL OR CYCLICAL FACTORS

The principal business operations of the Group are not significantly affected by seasonality or cyclical factors.

5. UNUSUAL ITEMS

Other than disclosed in the financial statements, there were no unusual items affecting the financial statements for the financial period under review.

6. CHANGES IN ESTIMATES

There were no significant changes in estimates that materially affect the financial statements for the financial period under review.

7. DEBTS AND EQUITY SECURITIES

There were no repayment and issuance of debt securities, share buy-backs, share cancellation, share held as treasury shares and resale of treasury shares for the financial period under review.

8. DIVIDENDS PAID

There was no dividend paid in the financial period under review.

9. VALUATION OF PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

There was no valuation of the property, plant and equipment during the current quarter under review.

10. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change to the composition of the Group for the current quarter under review.

11. SUBSEQUENT EVENTS

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

12. CAPITAL COMMITMENT

There is no capital commitment to purchase property, plant and equipment for the period ended 31 December 2019.

13. CONTINGENT LIABILITIES

There were no contingent liabilities for the Group as at 21 February 2020 being the latest practicable date, which is not earlier than seven days from the date of issuance of this quarterly announcement.

14. SEGMENTAL REPORTING

The Group segments are reported as the following core businesses.

1. Core 1

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

2. Core 2

Core 2 represents various offerings in different sectors by the Group's subsidiaries. The offerings range from engineering works for energy sector, bulk mailing and outsourcing services, automotive/insurance claims platform services, mobile applications, simulation and training to various customers.

3. Core 3

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

For the period ended 31 December 2019	Core 1	Core 2	Core 3	Consolidation Adjustments	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE					
External	303,520	57,513	-	-	361,033
RESULT					
Profit/(loss) after tax	10,861	(4,266)	-	(448)	6,147
Non-controlling interests	-	(958)	-	-	(958)
Profit/(loss) attributable to equity holders of the Parent	10,861	(3,308)	-	(448)	7,105
For the period ended 31 December 2018	Core 1	Core 2	Core 3	Consolidation Adjustments	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE					
External	233,413	143,457	-	2,577	379,446
RESULT					
Loss after tax	(5,836)	(28,576)	-	(2,374)	(36,786)
Non-controlling interests	-	(9,722)	-	-	(9,722)
Loss attributable to equity holders of the Parent	(5,836)	(18,854)	-	(2,374)	(27,064)

15. REVIEW OF PERFORMANCE

The Group has recorded lower revenue at RM361,033,000 in Q4 2019 against RM379,446,000 in Q4 2018 mainly due to completion and expiration of some contracts during the period.

16. COMMENTARY ON PROSPECTS

The Group's business environment is expected to remain challenging for 2020. However, the Group will continue to implement relevant strategies to overcome the challenges. These include securing recurring business from existing customers while gaining new business from both existing and new markets.

Core 1

Over the years, IT sector has becoming more competitive with the entrance of more players. Nevertheless, counting on the year of success as the incumbent in system integration and managed services, the Group is confident in establishing market confidence from both public and private sectors.

Core 2

Core 2 leverages on the various sectors within the Group. Core 2 is focusing towards green and renewable energy and provision on e-licensing for local councils and provision of cooperative system under the new joint venture initiative with an Indonesia party. Core 2 is also moving towards consumer and concession based initiatives, especially the e-testing for driving license within the transport sector.

Core 3

Core 3 is poised to be the Group's exploration arm with regards to new offerings and new technology under the Industrial Revolution 4.0.

17. COMPARISONS WITH PRECEDING QUARTER'S RESULTS

The Group recorded lower revenue at RM81,126,000 for the current quarter ended 31 December 2019 as compared to RM140,305,000 in the preceding quarter ended 30 September 2019.

However, the Group's net results have increased by RM5,538,000 from post-tax profit of RM2,000 for the preceding quarter ended 30 September 2019 to post-tax profit of RM5,540,000 for the current quarter ended 31 December 2019.

18. VARIANCE ON FORECASTED PROFIT

Not applicable

19. PROFIT/(LOSS) BEFORE TAX

Included in the profit/(loss) before tax are the following items:

	Current Quarter 31/12/2019	Accumulated Current Quarter 31/12/2019
	RM'000	RM'000
Interest income	(232)	(1,206)
Interest expense	2,562	7,095
Depreciation of property, plant and equipment	3,876	14,948
Amortisation of intangible assets	362	1,092
Impairment loss on :		
- Trade receivables	257	1,677
- Other receivables	49	49
Reversal gain on trade receivables	(2,374)	(6,212)

20. TAXATION

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

	Current Quarter 31/12/2019	Accumulated Current Quarter 31/12/2019
	RM'000	RM'000
Current taxation	(49)	(512)

21. CORPORATE DEVELOPMENTS

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

22. GROUP BORROWINGS AND DEBT SECURITIES

As at 31 December 2019, the Group has the following borrowings which are denominated in Ringgit Malaysia from local financial institutions:-

22. GROUP BORROWINGS AND DEBT SECURITIES (CONT'D)

	Total RM'000
Secured:	
<u>Short Term Borrowings</u>	
Hire purchase creditor due within 12 months	164
Other short term borrowings due within 12 months	107,267
	<u>107,431</u>
<u>Long Term Borrowings</u>	
Hire purchase creditor due after 12 months	41
Other long term borrowings due after 12 months	3,888
	<u>3,929</u>
Total	<u>111,360</u>

23. MATERIAL LITIGATIONS

ESDC Technology Sdn Bhd ("Plaintiff") vs HeiTech Padu Berhad ("Defendant")

The Plaintiff is claiming RM2,730,000 for extended services to a customer from the Defendant. The Defendant will defend the case through its appointed legal counsel. The Court maintained for the trial date to be from 20 April 2020 to 24 April 2020.

24. PROPOSED DIVIDEND

There was no dividend proposed for the financial period under review.

25. EARNING PER SHARE

	Current Quarter 31/12/2019	Accumulated Current Quarter 31/12/2019
a) <u>Basic</u>		
Net profit attributable to ordinary equity holders of the parent company (RM'000)	5,297	7,105
Weighted average number of ordinary shares in issue ('000)	101,225	101,225
Basic earning per share (sen)	<u>5.23</u>	<u>7.02</u>

25. EARNING PER SHARE (CONT'D)

b) Diluted

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

26. SIGNIFICANT EVENTS

On 2 December 2019, the Company appointed Messrs. Al Jafree Salihin Kuzaimi PLT having its address at 555, Jalan Samudera Utara 1, Taman Samudra, 68100 Batu Caves, Selangor as the new auditors of the Company.

On 17 December 2019, the Company entered into Sale and Purchase Agreement (SPA) with Television Airtime Services Sdn Bhd (the "Purchaser") to dispose Dapat Vista (M) Sdn Bhd ("DAPAT") for a total consideration of RM13,500,000 ("Disposal"). The Disposal will happen in stages over a period of sixty (60) months from the execution date of SPA.

On 23 December 2019, the Company has signed the letter of award for Renewal of Licenses and Maintenance for Mainframe Systems in Lembaga Hasil Dalam Negeri ("LHDN") at RM34,800,000 for 2 years.

By Order of the Board

AMIR ZAHINI BIN SAHRIM (7034464)

SITI SHAHWANA BINTI ABDUL HAMID (7018383)

Secretary