



HEITECH PADU BERHAD

[Registration No. 19401024950 (310628-D)]

(Incorporated in Malaysia)

**Unaudited Interim Financial Report
For the Quarter and Period Ended 30 September 2020**

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Individual Quarter		Cumulative Quarter	
	2020	2019	2020	2019
	Current quarter ended 30 Sept	Comparative quarter ended 30 Sept	9 months cumulative to date	Comparative 9 months cumulative to date
	RM'000	RM'000	RM'000	RM'000
Revenue	101,960	140,305	257,659	279,907
Other Income	5,010	4,543	16,888	5,279
Total Income	106,970	144,848	274,547	285,186
Employee Benefits Expense	(25,885)	(22,544)	(70,866)	(66,281)
Purchase of Hardware and Software	(38,962)	(77,150)	(94,105)	(101,775)
Telecommunication Costs	(7,131)	(8,302)	(18,010)	(22,513)
Software License and Hardware Maintenance Cost	(2,050)	(6,808)	(16,915)	(21,556)
Bulk Mailing Processing Charges	(1,322)	(1,830)	(4,584)	(5,411)
Depreciation and amortisation	(4,425)	(3,890)	(12,661)	(11,072)
Project Implementation Costs	(9,924)	(9,336)	(20,193)	(25,132)
Other Expenses	(9,437)	(12,731)	(20,588)	(25,248)
Total Expenditure	(99,136)	(142,591)	(257,922)	(278,988)
Profit before Finance Cost	7,834	2,257	16,625	6,198
Finance Cost	(997)	(1,725)	(2,925)	(4,533)
Share of Results of Associated Companies	(707)	(353)	(1,780)	(595)
Profit Before Taxation	6,130	179	11,920	1,070
Taxation	387	(177)	(283)	(463)
Profit for the period	6,517	2	11,637	607
Profit attributable to:				
Equity holders of the Parent	3,196	657	9,002	1,808
Non-controlling interests	3,321	(655)	2,635	(1,201)
	6,517	2	11,637	607
Number of Ordinary Shares	101,225	101,225	101,225	101,225
Profit per share attributable to equity holders of the parents:				
Basic earning for the period	3.16	0.65	8.89	1.79
Unaudited Condensed Consolidated Statement of Comprehensive Income				
Shareholders' Funds	6,517	2	11,637	607
Foreign currency translation	2	(925)	(253)	530
Total comprehensive income	6,519	(923)	11,384	1,137
Total comprehensive income attributable to:				
Equity holders of the Parent	3,198	(270)	8,749	2,414
Minority Interest	3,321	(653)	2,635	(1,277)
	6,519	(923)	11,384	1,137

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Accounts for the year ended 31/12/2019. The document forms part of quarterly announcement for quarter ended 30/09/2020.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Unaudited 2020	Audited 2019
	As at 30 September	As at 31 December
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	61,650	56,602
Right-of-use assets	12,156	13,640
Intangible assets	4,878	7,363
Investment in associates	5,977	1,199
Investment in joint venture	350	350
Other investments	1,334	1,334
Deferred tax assets	-	21
TOTAL NON-CURRENT ASSETS	86,345	80,509
CURRENT ASSETS		
Inventories	441	363
Trade and other receivables	89,853	79,022
Contract assets	170,878	108,467
Prepayments	936	838
Tax recoverable	3,094	3,051
Cash and bank balances	57,569	47,133
Assets of disposal group classified as held for sale	-	2,382
TOTAL CURRENT ASSETS	322,771	241,256
CURRENT LIABILITIES		
Loans and borrowings	133,729	108,876
Trade and other payables	137,288	84,639
Tax payable	121	357
Liabilities directly associated with disposal group classified as held for sale	-	2,055
TOTAL CURRENT LIABILITIES	271,499	195,927
NET CURRENT ASSETS	51,272	45,329
	137,617	125,838
FINANCED BY:		
Share capital	117,751	117,751
Foreign currency translation reserve	(1,118)	(865)
Retained earnings/(Accumulated losses)	5,331	(3,671)
Shareholders' equity	121,964	113,215
Non-controlling interests	(544)	(5,242)
Shareholders' Funds	121,420	107,973
Long Term Liabilities		
Deferred tax liabilities	242	262
Long term borrowings	2,624	3,209
Lease liability	13,331	14,394
Non-current liabilities	16,197	17,865
	137,617	125,838
Net asset per share attributable to ordinary equity holders of the parent (RM)	1.16	1.05

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Accounts for the year ended 31/12/2019. The document forms part of quarterly announcement for quarter ended 30/09/2020.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	<u>Non -Distributable</u>		<u>Distributable</u>		Non- Controlling Interests	Total
	Share capital	Foreign Currency Translation Reserve	Retained earnings/(Accumulated losses)	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
For the period ended 30 September 2020						
At 1 January 2020	117,751	(865)	(3,671)	113,215	(5,242)	107,973
Total comprehensive income for the period	-	(253)	9,002	8,749	2,635	11,384
Transaction with owners						
Disposal of a subsidiary	-	-	-	-	2,063	2,063
At 30 September 2020	<u>117,751</u>	<u>(1,118)</u>	<u>5,331</u>	<u>121,964</u>	<u>(544)</u>	<u>121,420</u>
For the period ended 30 September 2019						
At 1 January 2019	117,751	(1,023)	(10,773)	105,955	(3,432)	102,523
Total comprehensive income for the period	-	530	1,808	2,338	(1,199)	1,139
Transaction with owners						
Dividends paid to minority interest	-	-	-	-	(300)	(300)
At 30 September 2019	<u>117,751</u>	<u>(493)</u>	<u>(8,965)</u>	<u>108,293</u>	<u>(4,931)</u>	<u>103,362</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Accounts for the year ended 31/12/2019. The document forms part of quarterly announcement for quarter ended 30/09/2020.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
PERIOD ENDED 30 SEPTEMBER 2020

	Period ended 30 Sept 2020	Year ended 31 December 2019
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before taxation	11,920	6,636
Adjustments for:		
Gain on disposal of property, plant and equipment	-	(1)
Gain on disposal of subsidiary	(10,917)	-
Interest income	(577)	(1,206)
Finance costs	2,925	11,788
Finance costs on right-of-use assets	881	1,299
Amortisation of intangible assets	751	1,092
Depreciation of property, plant and equipment	9,580	11,964
Depreciation of right-of-use assets	2,330	3,009
Property, plant and equipment written off	596	1,123
Reversal of impairment loss on:		
- trade receivables	(66)	(6,079)
- other receivables	(1,082)	(267)
- property, plant and equipment	(596)	-
Impairment loss on:		
- trade receivables	1,528	2,440
- other receivables	69	34
- intangible assets	-	1,620
Unrealised foreign exchange gain	-	(168)
Share of results of associates	1,780	939
Operating cash flows before changes in working capital	19,123	34,223
Changes in working capital		
Inventories	(78)	276
Trade and other receivables	(11,281)	(14,884)
Contract assets	(62,410)	(10,355)
Prepayments	(98)	77
Contract liabilities	361	(19,746)
Trade and other payables	52,649	(8,646)
Cash flows from/(used) in operations	(1,734)	(19,055)
Interest paid	(2,925)	(2,036)
Income taxes paid	(267)	(1,199)
Net cash flows from/(used) in operating activities	(4,926)	(22,290)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,705)	(5,675)
Interest received	577	1,206
Proceeds from disposal of property, plant and equipment	-	316
Software development cost incurred	(451)	(1,216)
Increase in investment in an associate	-	(470)
Proceeds from disposal of a subsidiary	8,093	-
Net cash flows used in investing activities	(6,487)	(5,839)
FINANCING ACTIVITIES		
Drawdown of loans and borrowings	15,980	19,396
Repayment of obligations under finance leases	(542)	(541)
Dividend paid	-	(600)
Deposits (placed for)/uplifted from securities for bank borrowings	(13,573)	12,360
Interest paid	-	(9,752)
Net cash flows generated from financing activities	1,865	20,863
NET DECREASE IN CASH & CASH EQUIVALENTS	(9,547)	(7,266)
Effect of exchange rate changes on cash and cash equivalents	(331)	359
CASH AND CASH EQUIVALENTS AT 1 JANUARY	(1,057)	5,850
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(10,936)	(1,057)
CASH & CASH EQUIVALENTS COMPRISE:		
Cash at banks and on hand	9,479	12,617
Deposits with licensed banks	48,090	34,516
Bank overdrafts	(20,415)	(13,674)
Deposit pledged as securities for bank borrowings	(48,090)	(34,516)
	(10,936)	(1,057)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Accounts for the year ended 31/12/2019. The document forms part of quarterly announcement for quarter ended 30/09/2020.

**UNAUDITED RESULTS FOR
THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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 2019. 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 2019.

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 2019 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 2020.

- 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.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2019 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

During the quarter under review, investment in Dapat Vista Sdn Bhd has been classified from a subsidiary to an associate following the disposal of 36% shareholding by HeiTech. HeiTech now owns 44% of Dapat Vista Sdn Bhd from initially 80%.

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 30 September 2020.

13. CONTINGENT LIABILITIES

There were no contingent liabilities for the Group as at 20 November 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 application, cooperative and smart council systems, simulation and training to various customers.

3. Core 3

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. As such, during the quarter under review, the Group has carried out some reclassification to include transport sector under Core 3 as the Group believed the sector has great potentials that require a focus of its own.

14. SEGMENTAL REPORTING (CONT'D)

For the period ended 30 September 2020	Core 1	Core 2	Core 3	Consolidation Adjustments	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE					
External	216,310	36,287	5,062	-	257,659
RESULT					
Profit after tax	2,332	6,208	1,151	1,946	11,637
Non-controlling interests	-	2,635	-	-	2,635
Profit attributable to equity holders of the Parent (PATAMI)	2,332	3,573	1,151	1,946	9,002
For the period ended 30 September 2019	Core 1	Core 2	Core 3	Consolidation Adjustments	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE					
External	239,450	40,456	-	-	279,907
RESULT					
Profit/(loss) after tax	6,013	(4,361)	-	(1,045)	607
Non-controlling interests	-	(1,201)	-	-	(1,201)
Profit/(loss) attributable to equity holders of the Parent (PATAMI)	6,013	(3,160)	-	(1,045)	1,808

15. REVIEW OF PERFORMANCE

The Group recorded lower revenue of RM257,659,000 for the period ended 30 September 2020, a decrease by RM22,248,000 from a revenue of RM279,907,000 for the period ended 30 September 2019. The lower revenue was attributed by the conclusion of some contracts in 2020.

16. COMMENTARY ON PROSPECTS

The Group's business environment is expected to remain challenging for 2020 especially due to the Covid-19 pandemic. 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

Core 1 is essentially the core business of the Group. Over the years, the IT sector has been increasingly competitive with the entrance of more players into the market. Nevertheless, based on the track records, the Group is confident that it will continue to be relevant and remain as one the nation's major player for IT services.

16. COMMENTARY ON PROSPECTS (CONT'D)

Core 2

Core 2 leverages on the various sectors within the Group and moving towards offering e-solutions for businesses and public at large. Among the focus within Core 2 are electronic licensing and billing services for local councils, financial system for cooperatives in Indonesia and automotive parts database together with automotive related training activities. On top of that, Core 2 is also exploring into green and renewable energy sector as part of the diversification plan.

Core 3

Initially, Core 3 was planned as the exploration arm of new technology for the Group. However, as the business progresses, it was identified that the transportation sector may have good potentials for the Group. As such, Core 3 has been recalibrated to explore the opportunities within the transportations sector.

17. COMPARISONS WITH PRECEDING QUARTER'S RESULTS

The Group recorded higher revenue at RM101,960,000 for the current quarter ended 30 September 2020 as compared to RM80,959,000 in the preceding quarter ended 30 June 2020.

The Group also recorded higher pre and post tax-profit of RM6,130,000 and RM6,517,000 respectively for the quarter ended 30 September 2020 as opposed to pre-tax profit of RM4,499,000 and post-tax profit of RM3,931,000 for the quarter ended 30 June 2020.

18. VARIANCE ON FORECASTED PROFIT

Not applicable

19. PROFIT BEFORE TAX

Included in the profit before tax are the following items:

	Current Quarter 30/09/2020 RM'000	Accumulated Current Quarter 30/09/2020 RM'000
Interest income	(236)	(577)
Interest expense	997	2,925
Depreciation of property, plant and equipment	3,392	9,580
Amortisation of intangible assets	241	751
Impairment loss on :		
- Trade receivables	1,407	1,528
- Other receivables	-	69
Reversal of impairment loss on:		
- Trade receivables	(34)	(66)
- Other receivables	-	(1,082)

20. TAXATION

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

	Current Quarter 30/09/2020 RM'000	Accumulated Current Quarter 30/09/2020 RM'000
Current reversal/(expenses) on taxation	387	(283)

21. CORPORATE DEVELOPMENTS

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

22. GROUP BORROWINGS AND DEBT SECURITIES

As at 30 September 2020, the Group has the following borrowings which are denominated in Ringgit Malaysia from local financial institutions:-

Secured:	RM'000
<u>Short Term Borrowings</u>	
Hire purchase creditor due within 12 months	69
Other short term borrowings due within 12 months	<u>133,660</u>
	<u>133,729</u>
<u>Long Term Borrowings</u>	
Hire purchase creditor due after 12 months	-
Other long term borrowings due after 12 months	<u>2,624</u>
	<u>2,624</u>
Total	<u>136,353</u>

23. MATERIAL LITIGATION

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 has fixed the matter for full trial on the 9th to 13 November 2020. However, due to Conditional Movement Control Order (CMCO) which was extended until 6 December 2020, the Court has postponed the trial to another date that will be informed later.

24. PROPOSED DIVIDEND

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

25. EARNING PER SHARE

	Current Quarter 30/09/2020	Accumulated Current Quarter 30/09/2020
<u>a) Basic</u>		
Net profit attributable to ordinary equity holders of the parent company (RM'000)	3,196	9,002
Weighted average number of ordinary shares in issue ('000)	101,225	101,225
Basic earning per share (sen)	3.16	8.89

b) Diluted

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

26. SIGNIFICANT EVENT

On 28 October 2020, the Company secured a contract for "Perkhidmatan Penyelenggaraan Sistem Aplikasi dan Sokongan Teknikal Bisness Utama ("BUICT") Secara Komprehensif" with Jabatan Pendaftaran Negara. The contract value is RM50,973,280,000 for period of 36 months commencing from 1 November 2020 to 31 October 2023.

By Order of the Board

AMIR ZAHINI BIN SAHRIM (7034464)
SITI SHAHWANA BINTI ABDUL HAMID (7018383)

Secretary