



HEITECH PADU BERHAD

[Registration No. 19401024950 (310628-D)]
(Incorporated in Malaysia)

**Unaudited Interim Financial Report
For the Quarter and Period Ended 30 September 2021**

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2021

	Individual Quarter		Cumulative Quarter	
	2021	2020	2021	2020
	Current quarter ended 30 September	Comparative quarter ended 30 September	9 months cumulative to date	Comparative 9 months cumulative to date
	RM'000	RM'000	RM'000	RM'000
Revenue	68,893	101,960	200,814	257,659
Other Income	5,093	5,010	10,887	16,888
Total Income	<u>73,986</u>	<u>106,970</u>	<u>211,701</u>	<u>274,547</u>
Employee Benefits Expense	(21,837)	(25,885)	(66,221)	(70,866)
Purchase of Hardware and Software	(19,079)	(38,962)	(60,354)	(94,105)
Telecommunication Costs	(6,974)	(7,131)	(17,496)	(18,010)
Software License and Hardware Maintenance Cost	(1,848)	(2,050)	(7,209)	(16,915)
Bulk Mailing Processing Charges	(1,761)	(1,322)	(5,919)	(4,584)
Depreciation and amortisation	(3,681)	(4,425)	(11,095)	(12,661)
Project Implementation Costs	(11,428)	(9,924)	(23,463)	(20,193)
Other Expenses	(6,070)	(9,437)	(15,056)	(20,588)
Total Expenditure	<u>(72,678)</u>	<u>(99,136)</u>	<u>(206,813)</u>	<u>(257,922)</u>
Profit before Finance Cost	1,308	7,834	4,888	16,625
Finance Cost	(951)	(997)	(2,945)	(2,925)
Share of Results of Associated Companies	(71)	(707)	226	(1,780)
Profit before Tax	286	6,130	2,169	11,920
Taxation	(27)	387	(125)	(283)
Profit for the period	<u>259</u>	<u>6,517</u>	<u>2,044</u>	<u>11,637</u>
Profit attributable to:				
Equity holders of the Parent	854	3,196	1,456	9,002
Non-controlling interests	(595)	3,321	588	2,635
	<u>259</u>	<u>6,517</u>	<u>2,044</u>	<u>11,637</u>
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	0.84	3.16	1.44	8.89
Unaudited Condensed Consolidated Statement of Comprehensive Income				
Shareholders' Funds	259	6,517	2,044	11,637
Foreign currency translation	271	2	282	(253)
Total comprehensive income	<u>530</u>	<u>6,519</u>	<u>2,326</u>	<u>11,384</u>
Total comprehensive income attributable to:				
Equity holders of the Parent	1,125	3,735	1,738	8,749
Minority Interest	(595)	3,321	588	2,635
	<u>530</u>	<u>6,519</u>	<u>2,326</u>	<u>11,384</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Accounts for the year ended 31/12/2020. The document forms part of quarterly announcement for quarter ended 30/09/2021.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	Unaudited 2021	Audited 2020
	As at 30 September	As at 31 December
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	55,236	59,335
Right-of-use assets	8,932	11,243
Intangible assets	10,357	10,601
Investment in associates	2,569	3,471
Investment in joint venture	350	350
Other investments	2,141	2,065
Contract cost assets	26,385	-
TOTAL NON-CURRENT ASSETS	105,970	87,065
CURRENT ASSETS		
Inventories	284	387
Trade and other receivables	69,049	72,528
Contract assets	70,648	55,275
Contract costs assets	60,360	98,577
Prepayments	589	534
Tax recoverable	3,855	3,346
Cash and bank balances	60,711	59,599
TOTAL CURRENT ASSETS	265,496	290,246
CURRENT LIABILITIES		
Contract liabilities	4,052	2,430
Loans and borrowings	120,615	128,630
Trade and other payables	84,572	108,643
Tax payable	25	23
Lease liability	3,795	3,001
TOTAL CURRENT LIABILITIES	213,059	242,727
NET CURRENT ASSETS	52,437	47,519
	158,407	134,584
FINANCED BY:		
Share capital	117,751	117,751
Foreign currency translation reserve	(1,140)	(1,422)
Retained earnings	8,761	7,305
Shareholders' equity	125,372	123,634
Non-controlling interests	(440)	(1,028)
Shareholders' Funds	124,932	122,606
<u>Long Term Liabilities</u>		
Deferred tax liabilities	138	138
Long term borrowings	26,742	2,414
Lease liability	6,595	9,426
Non-current liabilities	33,475	11,978
	158,407	134,584
Net asset per share attributable to ordinary equity holders of the parent (RM)	1.14	1.12

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Accounts for the year ended 31/12/2020. The document forms part of quarterly announcement for quarter ended 30/09/2021.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2021

	<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 2021						
At 1 January 2021	117,751	(1,422)	7,305	123,634	(1,028)	122,606
Total comprehensive income for the period	-	282	1,456	1,738	588	2,326
At 30 September 2021	<u>117,751</u>	<u>(1,140)</u>	<u>8,761</u>	<u>125,372</u>	<u>(440)</u>	<u>124,932</u>
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>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Accounts for the year ended 31/12/2020. The document forms part of quarterly announcement for quarter ended 30/09/2021.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
PERIOD ENDED 30 SEPTEMBER 2021

	Period ended 30 September 2021 RM'000	Year ended 31 December 2020 RM'000
OPERATING ACTIVITIES		
Profit before tax	2,169	13,321
Adjustments for:		
Gain on disposal of a subsidiary and an associate	(4,873)	(7,882)
Hibah income	(421)	(760)
Finance costs	2,239	3,465
Finance costs on right-of-use assets	706	1,158
Amortisation of intangible assets	779	1,429
Depreciation of property, plant and equipment	8,124	12,967
Depreciation of right-of-use assets	2,192	3,031
Written off on:		
- property, plant and equipment	-	625
- trade receivables	-	3,500
- contract cost assets	-	516
Reversal of impairment loss on:		
- trade receivables	(145)	(108)
- other receivables	(253)	(1,035)
- property, plant and equipment	-	(589)
Impairment loss on:		
- trade receivables	1,476	1,785
- other receivables	7	559
- investment in associates	-	801
Unrealised foreign exchange gain	-	(18)
Provision for onerous contract cost assets	-	3,282
Share of results of associates	(226)	1,487
Operating cash flows before changes in working capital	11,774	37,534
Changes in working capital		
Inventories	103	(24)
Trade and other receivables	2,394	1,010
Contract assets	(41,757)	17,307
Contract costs assets	38,217	(59,668)
Prepayments	(55)	304
Contract liabilities	1,622	(594)
Trade and other payables	(24,071)	22,096
Cash flows (used in)/ generated from operations	(11,773)	17,965
Profit paid	(2,239)	(999)
Income taxes paid	(632)	(926)
Net cash flows (used in)/generated from operating activities	(14,644)	16,040
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,025)	(15,907)
Hibah received	421	760
Proceeds from disposal of property, plant and equipment	-	37
Software development cost incurred	(535)	(5,610)
Net proceeds from disposal of a subsidiary and an associate	5,925	8,093
Net cash flows generated from/(used in) investing activities	1,786	(12,627)
FINANCING ACTIVITIES		
Drawdown of loans and borrowings	9,452	18,404
Repayment of obligations under finance leases	(301)	(542)
Repayment of lease liabilities	(2,624)	(3,747)
Deposits placed for securities for bank borrowings	(6,661)	(6,116)
Profit paid	-	(2,466)
Net cash flows (used in)/generated from financing activities	(134)	5,533
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS	(12,992)	8,946
Effect of exchange rate changes on cash and cash equivalents	185	(1,498)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	6,391	(1,057)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(6,416)	6,391
CASH & CASH EQUIVALENTS COMPRISE:		
Cash at banks and on hand	13,418	18,967
Deposits with licensed banks	47,293	40,632
Bank overdrafts	(19,834)	(12,576)
Deposit pledged as securities for bank borrowings	(47,293)	(40,632)
	(6,416)	6,391

**UNAUDITED RESULTS FOR
THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021**

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 2020. 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 2020.

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 2020 except for the following new/revised Malaysian Financial Reporting Standards ("MFRS") that are issued but not yet effective:

Effective for financial periods beginning on or after 1 April 2021.

- Amendment to MFRS 16 Leases - *Covid-19 - Related Rent Concessions beyond 30 June 2021*

Effective for financial periods beginning on or after 1 January 2022.

- Amendments to MFRS 3 Business Combinations - *Reference to the Conceptual Framework*
- Amendments to MFRS 116 Property, Plant and Equipment - *Proceeds before Intended Use*
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets - *Onerous Contracts - Cost of Fulfilling a Contract*
- Annual Improvements to MFRS Standards 2018 - 2020:
 - Amendment to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
 - Amendment to MFRS 9 Financial Instruments
 - Amendment to MFRS 141 Agriculture

Effective for financial periods beginning on or after 1 January 2023.

- MFRS 17 Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts
- Amendments to MFRS 101 Presentation of Financial Statements - *Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies*
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - *Definition of Accounting Estimates*

Effective date of these Amendments to Standards has been deferred, and yet to be announced

- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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 2020 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. CAPITAL COMMITMENT

There was no capital commitment to purchase property, plant and equipment for the period ended 30 September 2021.

12. CONTINGENT LIABILITIES

There were no contingent liabilities for the Group as at 23 November 2021 being the latest practicable date, which is not earlier than seven days from the date of issuance of this quarterly announcement.

13. SEGMENTAL REPORTING

The Group segments are reported as the following core businesses.

1. Core 1

Core 1 business offerings are mainly system integration and application development focusing on business acquisition for largely the Public Sector market namely, Health sector, Internal Security sector, government-linked companies and agencies, and developing smart solutions and smart city specifically for local councils. It also focuses on ancillary products surrounding financial solutions serving all market segments.

2. Core 2

Core02 offerings ranges from various sectors focusing on products other than system integration. It 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 for various customers.

3. Core 3

Core 3 carries the offerings for business acquisition mainly for the transport sector, financial services sector and concession business segment.

13. SEGMENTAL REPORTING (CONT'D)

For the period ended 30 September 2021	Core 1	Core 2	Core 3	Consolidation Adjustments	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE					
External	70,541	18,964	112,430	(1,121)	200,814
RESULT					
Profit after tax	4,617	1,753	(2,502)	(1,824)	2,044
Non-controlling interests	-	588	-	-	588
Profit/(loss) attributable to equity holders of the Parent (PATAMI)	4,617	1,165	(2,502)	(1,824)	1,456
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	87,849	36,287	133,523	-	257,659
RESULT					
Profit/(loss) after tax	(1,345)	12,833	(3,577)	3,726	11,637
Non-controlling interests	-	2,635	-	-	2,635
Profit/(loss) attributable to equity holders of the Parent (PATAMI)	(1,345)	10,198	(3,577)	3,726	9,002

14. REVIEW OF PERFORMANCE

The Group recorded lower revenue of RM200,814,000 for the period ended 30 September 2021, a decrease by RM56,845,000 from a revenue of RM257,659,000 for the period ended 30 September 2020. The lower revenue was attributed by the conclusion of some contracts in 2021.

15. COMMENTARY ON PROSPECTS

The Group's business environment is expected to remain challenging in 2021 as the Covid-19 pandemic is still plaguing our nation. 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. Core 1 is now recalibrated to focus on health sector, internal security sector, government-linked companies and agencies, and developing smart solutions and smart city specifically for local councils.

15. COMMENTARY ON PROSPECTS (CONT'D)

Core 2

Core 2 leverages on various sectors within the segment to create a new focus in the Group's strategic direction. It comprises companies that operated in database management for automotive industry, mobile and financial applications, mailing and document processing services, defence and engineering works and renewable energy in the energy sector. Among the main offerings within Core 2 are electronic licensing and billing services for local councils, financial system for cooperatives in Indonesia, training simulations, digital data processing and automotive parts database platform and training methods. Apart from some contracting nature of the services offered, Core 2 main aim is at securing shares in the mass market space via business-to-business and business-to-consumers type of offerings.

Core 3

Core 3 has been recalibrated to explore the opportunities within the transport sector, financial services sector and concession business segment.

16. COMPARISONS WITH PRECEDING QUARTER'S RESULTS

The Group recorded higher revenue at RM68,893,000 for the current quarter ended 30 September 2021 as compared to RM61,856,000 in the preceding quarter ended 30 June 2021.

However, the Group recorded a pre and post-tax profit of RM286,000 and RM259,000 respectively for the quarter ended 30 September 2021 as opposed to pre-tax profit of RM1,843,000 and post-tax profit of RM1,772,000 for the quarter ended 30 June 2021.

17. VARIANCE ON FORECASTED PROFIT

Not applicable.

18. PROFIT BEFORE TAX

Included in the profit before tax are the following items:

	Current Quarter 30/09/2021 RM'000	Accumulated Current Quarter 30/09/2021 RM'000
Interest income	(150)	(421)
Interest expense	951	2,945
Depreciation of property, plant and equipment	2,694	8,124
Amortisation of intangible assets	256	779
Impairment loss on :		
- Trade receivables	325	1,476
- Other receivables	7	7
Reversal of impairment loss on:		
- Trade receivables	92	(145)
- Other receivables	(5)	(253)

19. TAXATION

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

	Current Quarter 30/09/2021 RM'000	Accumulated Current Quarter 30/09/2021 RM'000
Current expenses on taxation	(27)	(125)

20. GROUP BORROWINGS AND DEBT SECURITIES

As at 30 September 2021, 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	103
Other short term borrowings due within 12 months	120,512
	<u>120,615</u>
<u>Long Term Borrowings</u>	
Hire purchase creditor due after 12 months	32
Other long term borrowings due after 12 months	26,710
	<u>26,742</u>
Total	<u>147,357</u>

21. 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 had fixed the matter for full trial on 1 September 2021 till 3 September 2021, which has been postponed. The Court has now fixed the case management on 7 December 2021, amongst others to fix new trial date.

22. PROPOSED DIVIDEND

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

23. EARNING PER SHARE

	Current Quarter 30/09/2021	Accumulated Current Quarter 30/09/2021
<u>a) Basic</u>		
Net profit attributable to ordinary equity holders of the parent company (RM'000)	854	1,456
Weighted average number of ordinary shares in issue ('000)	101,225	101,225
Basic earning per share (sen)	0.84	1.44

b) Diluted

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

24. CORPORATE PROPOSAL

There was no corporate proposal announced that is not completed as at the reporting date, other than disclosed below.

On 24 June 2021, the Company proposes to undertake a proposed placement of 10,000,000 new ordinary shares in the Company to Regal Orion Sdn Bhd at an issue price to be determined later in accordance with the general mandate pursuant to Section 75 and 76 of the Companies Act 2016 ("Proposed Placement").

On 30 June 2021, the Company announced that the listing application in relation to the Proposed Placement has been submitted to Bursa Securities. The listing application was subsequently approved by Bursa Securities on 19 July 2021.

25. SIGNIFICANT EVENT

- a. On 16 August 2021, the Company entered into a Term Sheet Agreement (“TSA”) with Regal Orion Sdn. Bhd. (collectively referred to as the “Parties” and each as a “Party”) for the design, engineering, procurement, construction, installation and commissioning (“DEPCIC”) of data centre under Lot PT 29470 and PT 29471, 71760 Bandar Techpark@Enstek, Labu, Seremban, Negeri Sembilan.

The Parties wish to enter into a DEPCIC agreement for the design, engineering, procurement, construction, installation and commissioning of RO’s Facility (“the DEPCIC Agreement”) and are entering into this TSA to commence the process of negotiating the DEPCIC Agreement and to set out various terms that have been agreed between the Parties to be included in the DEPCIC Agreement.

Upon completion of the Proposed Placement and subsequent execution of the DEPCIC Agreement (in relation to the TSA), that the DEPCIC Agreement shall be deemed as a related party transaction pursuant to Paragraph 10.08 of the the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and will require all necessary approvals.

- b. On 22 September 2021, the Company signed the letter of award for Tender Perkhidmatan Penyelenggaraan dan Sokongan Teknikal bagi Infrastruktur ICT serta Sistem Informasi Kenderaan dan Pemandu (mySIKAP) di Semua Pejabat Jabatan Pengangkutan Jalan Malaysia sehingga 30 September 2022. The contract value is RM36,252,939.16 for a period of 1 year 25 days commencing from 6 September 2021 to 30 September 2022.

26. SUBSEQUENT EVENT

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

By Order of the Board

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

Secretary