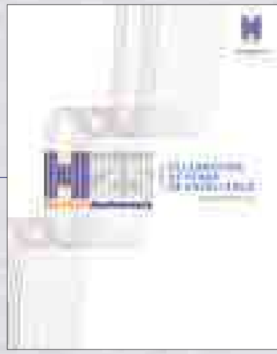
HeiTech Padu Berhad
(310628-D)

HeiTech Anniversary

CELEBRATING 25 YEARS OF EXCELLENCE

ANNUAL REPORT 2019



CELEBRATING 25 YEARS OF EXCELLENCE

2019 marks the 25th anniversary of HeiTech Padu Berhad's ("HeiTech") presence as one of the players in Malaysian's information and communication technology ("ICT") industry. What started as an information technology division in Permodalan Nasional Berhad, a Malaysian renowned unit trust agency that was later incorporated as a commercial entity, HeiTech has chartered its path as one of the leading ICT company in Malaysia.

25 years has been a journey that was filled with many ups and downs for HeiTech. We have endured series of economic turmoil, changes in the nation's leadership and vicious competition from fellow players within the industry.

25 years had seen how technology has advanced to what it is now. It has transformed from basic computing applications into internet age and now borderless world of information and communication via various high-tech, powerful and super-fast gadgets and applications. And HeiTech has been in the centre of the evolution, taking advantage of the technological advancement as part of our offerings and solutions to our customers.

25 years also seen our undivided devotion to our long and outstanding customers that have been with us since our inception and our special gratitude goes to them for being with us through thick and thin. And we would also like to record our gratification to the ensuing customers that have put their trust in HeiTech and supported us along the way. We realised that without their undue support, HeiTech would not be able to withstand the test of time.

We are now charting the next chapter for HeiTech amidst new wave of challenges. Let us all continue to persevere, pray and hope that HeiTech will always prevail as the trusted technology partner and continue to touch the life of everyone that came in our path of offerings and services for many more years to come.

HeiTech Anniversary

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About this Report

INTEGRATED REPORTING

Beginning 2019, we are adopting an Integrated Reporting Framework in our effort to provide a more comprehensive report on HeiTech Padu Berhad's ("HeiTech", "the Company" or "the Group") performance, strategies, governance, risks and sustainability.

With reference to the Integrated Reporting Framework set out by the International Reporting Council ("IIRC"), this integrated report will enable us to outline how HeiTech creates and sustains value for all stakeholders through the use of its capital and resources in response to the inherent risks and opportunities, especially in the ICT industry.

This first Integrated Report marks an important milestone for HeiTech as we join a growing list of over 3,000 global companies that have embraced Integrated Reporting as the best practice standard in response to the demands of regulators, capital providers and other stakeholders for more meaningful reporting disclosures. It will be articulated throughout this Report and will then be encapsulated in a value creation model on page 32 as a summary on the aspects that have been captured under the Integrated Reporting Framework.

We understand that full adoption of Integrated Reporting is a journey that can only be perfected over time. As we progress, we will continue to enhance the reporting on our business operations, resources and capital deployment, and illustrate the linkage between financial and non-financial performance indicators to further enhance your understanding about the Group.

APPROACH TO MATERIALITY

In this report, we disclose key material matters that are important to HeiTech and its significance to our ability in creating value over a period of time.

More detailed information on HeiTech's materiality matters can be found on pages 22 to 23 in this report.

REPORTING SUITE AND FRAMEWORKS REFERENCED

Our Integrated Reporting narrative is encapsulated in a suite of three reports – each covering a different focus with a format and framework appropriate for its content to achieve the twin goals of completeness and conciseness.

Integrated Annual Report 2019	Financial Statements 2019	Sustainability Report 2019
This report is a complete and concise document about how we create value. • IIRC Integrated Reporting Framework • Main Market Listing Requirements ("MMLR") of Bursa Malaysia • Malaysian Code on Corporate Governance ("MCCG") 2017 • Companies Act 2016 ("the Act")	This report contains the full financial statements of HeiTech Padu Berhad. • Malaysian Financial Reporting Standards ("MFRS") • International Financial Reporting Standards ("IFRS") • Companies Act 2016 ("the Act")	This report details matters that affect our ability to sustain value for our stakeholders. • Bursa Malaysia Sustainability Reporting Guide – Second Edition • Global Reporting Initiative ("GRI") Standards 2016: Core Option • Bursa Malaysia FTSE4Good Index

These reports are available online at our corporate website: http://www.heitech.com.my/investor_relations.html and Bursa Securities website.

DISCLAIMER ON FORWARD-LOOKING STATEMENTS

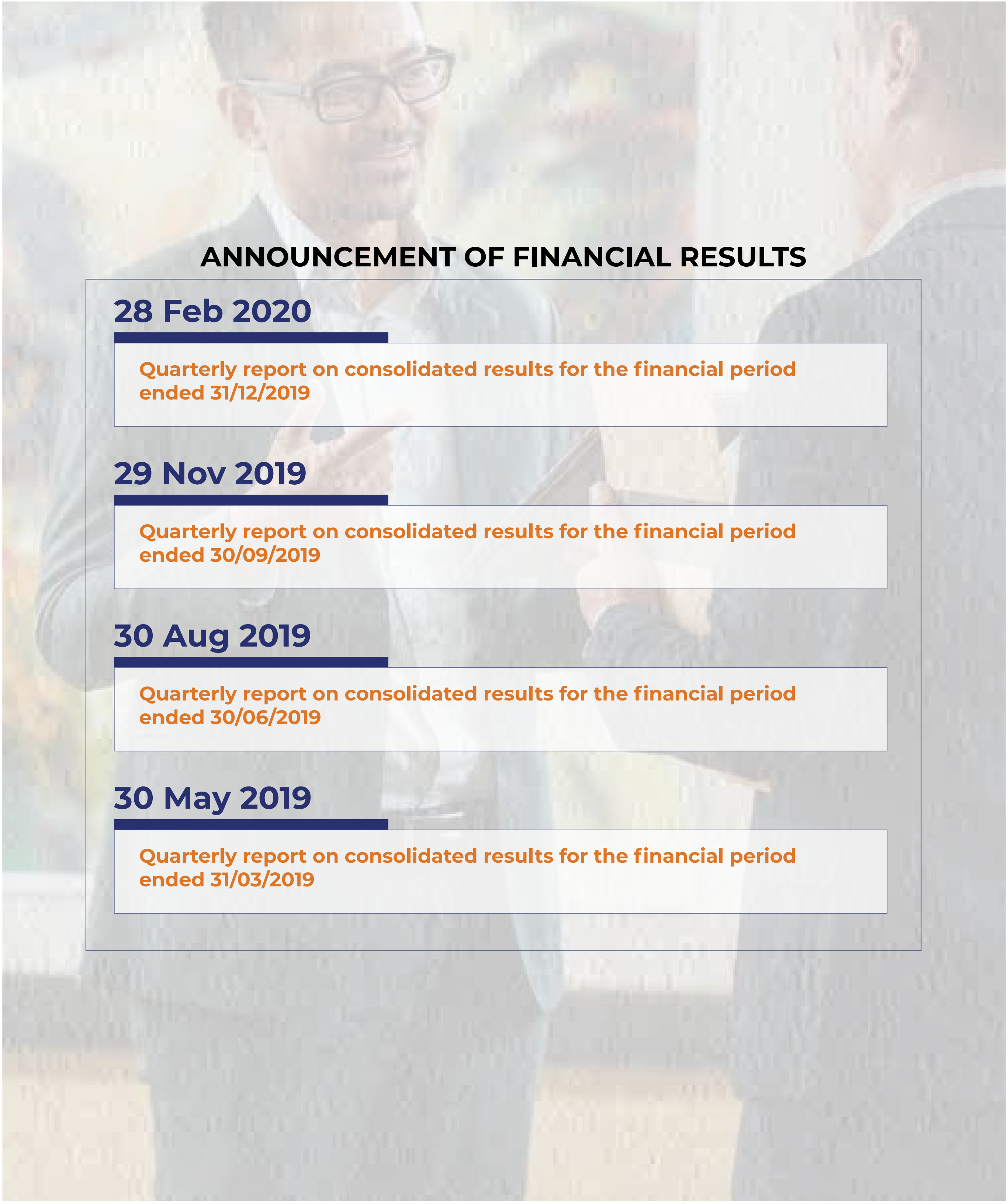
This report contains forward-looking statements that discuss targets, outlooks and projected performance based on reasonable current assumptions and are made in good faith. Readers are advised not to place undue reliance on such statements as they should not be construed as guarantees of our future performance due to risks and uncertainties of our operating environment.

FEEDBACK

We welcome your thoughts and feedback on this report and the issues covered. Please channel them to our Corporate Communications contact below:

Corporate Communications Department	Tel: 03-8601 3107, Fax: 03-8024 7997 Email: corpcomm@heitech.com.my

Financial Calendar 2019



ANNOUNCEMENT OF FINANCIAL RESULTS

28 Feb 2020

Quarterly report on consolidated results for the financial period ended 31/12/2019

29 Nov 2019

Quarterly report on consolidated results for the financial period ended 30/09/2019

30 Aug 2019

Quarterly report on consolidated results for the financial period ended 30/06/2019

30 May 2019

Quarterly report on consolidated results for the financial period ended 31/03/2019

Corporate Profile

WHO WE ARE

HEITECH PADU BERHAD is a global ICT system and technology services provider with a comprehensive suite of services and solutions that are holistic, integrated, and cutting-edge, covering the entire life cycle of system and products.

OUR GUIDING PRINCIPLES

VISION

We aim to be
"the trusted technology partner to enable customers' vision"

MISSION

We fulfil this ambition by
"touching lives with innovative solutions"

CORE VALUES

INTEGRITY

- Accountability
- Trustworthy
- Fairness

DYNAMISM

- Stay Ahead
- Professionalism
- Versatility

PASSION FOR EXCELLENCE

- Service Beyond Expectation
- Role Model
- Responsiveness

PEOPLE CENTRIC

- Customer Centric
- Developing Talent
- Respect

OUR SOLUTIONS & SERVICES

CORE CAPABILITIES

System Integration & Application Development

We deliver customised solutions that meet our customers' specific needs by:

Formulating Strategies that best answer the requirements of our customers

Delivering Application System based on tailored strategies

Integrating System of different platforms

END-TO-END SOLUTIONS

Corporate Profile

ICT INFRASTRUCTURE SOLUTIONS

MANAGED DATA CENTRE SERVICES

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, well known for our service level, availability, data integrity and security.

Our services continue to achieve the following technical accreditations:

- Information Security Management System (ISO/IEC 27001:2013)
- Quality Management System (ISO/IEC 9001:2015)
- Information Technology Service Management System (ISO/IEC 20000-1:2011)

Our suite of Managed Data Centre Services consists of:

- Data Centre Management Services
- Infrastructure Development & Management Services
- Business Recovery Management Services
- Mainframe Technical Services

MANAGED NETWORK SERVICES

As Malaysia's largest non-telecommunications service provider, our network services support multiprotocol applications and multiple telecommunications and trunk carriers, into one secured private network.

We are committed in providing up to 99.9% network service availability to our customers. 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 consists of the following technologies:

- Software Define-Wide Area Network ("SD-WAN")
- Multi-Protocol Label Switching ("MPLS")
- 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

CLOUD COMPUTING SERVICES

We offer flexible cloud computing services, tailored to our customers' specific business requirement – from building a private cloud and 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:

- Backup-as-a-Service
- Disaster Recovery-as-a-Service
- Security-as-a-Service
- Software-as-a-Service
- Platform-as-a-Service

MANAGED SECURITY SERVICES

We specialise in the deployment of multi-technology 'on premise' or hosted solution, with expertise in handling different security threat landscapes in accordance to compliance and regulatory standards such as Information Security Management System (ISO/IEC 27001:2013) and Malaysian Personal Data Protection (PDPA).

Our managed security services consists of:

- **Monitor, Detect and Response**
  - NextGen SIEM
  - SOC-as-a-Service
  - Vulnerability Assessment ("VA")-as-a-Service
- **Protect**
  - Application Security
  - Perimeter Security
  - Data Security
  - Endpoint Security
  - Identity and Access Management
- **Investigate**
  - Forensic & Analytic Analysis
  - Incident Response
  - Threat Hunting
  - Threat Intelligent Services
- **Consultancy**
  - ICT Security Blueprint and Design
  - Security Testing and Posture Assessment
  - Compliance Management ie. ISMS, BNM RMiT, RaKKSA
  - Technical Support Services
  - Security Training
- **Value-added Services Under Secure-X**
  - Enterprise LAN – Software Defined Network ("SDN")
  - Managed Wi-Fi Services

ICT MAINTENANCE & DEPLOYMENT

We offer ICT Maintenance and Deployment services nationwide, particularly to organisations that have multiple branches. Our dedicated onsite engineers provide 24/7 support to customers, attending to problems and providing rectifications.

With the 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 ICT Maintenance and Deployment services consists of:

- ICT Maintenance Services
- ICT Deployment Services
- Co-Location & ICT Infrastructure
- Telco Value-Added Services
- Universal Service Centre ("USC")

FINANCIAL SOLUTIONS

With more than 20 years of experience in providing ICT Infrastructure Solutions to financial institutions, we have ventured into application development for the Financial Services Industry ("FSI") market.

Our FSI subject matter experts have enabled us to develop our suite of home-grown products:

- **Re.Con** is a data reconciliation software that allows online assignment of data management tasks to employees to enhance operation effectiveness.
- **ezVERIFY** offers two-factor authentication capability using password and biometric.
- **Device Service Server ("DSS")** is developed to make device integration and device sharing easier.
- **e-Connect** is a middleware that provides "protocol-switching" between applications that use different network protocols.
- **Hybrid Client** is a software development tool that enables fast development of a new front-end application of a branch delivery system.

Corporate Profile

SPECIFIC SOLUTIONS

With over two decades of experience in various market and industries, we have developed expertise in multiple areas, armed with incisive knowledge of the specific needs and challenges of these industries to formulate the required applications, system and solutions.

NATIONAL SECURITY

- Passport Issuance
- Visa Issuance
- Border Management

TRANSPORT

- Road Transport Management System
- Automated Learning, Driving Test and Training Solutions (PINTARDRIVE)
- Claim Management System (FlexiQuote)
- Workshop Management System (Bodynet)

DEFENCE

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

HEALTHCARE

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

ENTERPRISE SOLUTIONS

- Cooperative System
- Digital Printing Services
- Electronic Bill Presentment
- e-Licensing
- e-Statement
- Manual Mail Processing
- Record Management Services

NICHE SOLUTIONS & SERVICES

- Construction of Power Station
- Electronic Commerce
- Engineering Consulting Services
- Identity Authentication & Mobility Solutions
- Thatcham Claims Processing Centre
- Thatcham Parts Analysis
- Thatcham Parts and Times System

MOBILE APPLICATIONS AND SOLUTIONS

- myPAY

SMART SOLUTIONS

- Smart Parking System
- Work From Home Application

OTHER E-GOVERNMENT RELATED SOLUTIONS

- Inter-Agency Link-Up System
- Pension Management System
- Hajj Management System
- Postal Management System

OUR GLOBAL PORTFOLIO

From our home base in Malaysia, we have marked our presence across the globe in providing ICT system and technology services. Trusted by customers from various sectors, we have amassed impressive portfolios that reflects the world-class calibre of our services.

AUSTRALIA

- Automotive Industry Solutions

INDONESIA

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

MALAYSIA

- System Integration Services
- Data Centre Services
- Network Services

MYANMAR

- Identity Management Solutions

SRI LANKA

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

UNITED KINGDOM

- Automotive Industry Solutions

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
Non-Independent Non-Executive Director

Sulaiman Hew Bin Abdullah
Independent Non-Executive Director

Wan Ainol Zilan Binti Abdul Rahim
Independent Non-Executive Director

Datuk Jayakumar A/L Panneer Selvam
(Appointed w.e.f 3 March 2020)
Non-Independent Non-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

Datuk Mohd Radzif Bin Mohd Yunus
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

EXECUTIVE COUNCIL COMMITTEE

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

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 of Core 2

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

Norazlina Binti Latiff
Vice President, IT Consulting

Dr. Nor Hazilawati Binti Awang
Vice President, Digital Technology

GROUP COMPANY SECRETARIES

Siti Shahwana Binti Abdul Hamid
MAICSA 7018383

Amir Zahini Bin Sahrim
MAICSA 7034464

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. AlJafree Salihin Kuzaimi PLT ("Salihin")
555, Jalan Samudera Utara 1,
Taman Samudra, 68100, Batu Caves
Selangor

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

Group Structure

PRINCIPAL SOLICITORS

Messrs. Cheang & Ariff
39 Court@Loke Mansion
273A Jalan Medan Tuanku
50300 Kuala Lumpur

Messrs. Rajes Hisham Rahim & Gopal
V15, 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

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

100%
- HeiTech Eco Energy Sdn Bhd

80%
- DAPAT Vista (M) Sdn Bhd

70%
- P.T. Intercity Kerlipan

60%
- Motordata Research Consortium Sdn Bhd

51%
- Duta Technic Sdn Bhd

51%
- Uji Bestari Sdn Bhd

ASSOCIATE AND INVESTMENT

49%
- PT Desa Tech Nusantara

49%
- InTech Solutions Pvt. Ltd.

40%
- e-Komoditi Sdn Bhd

39%
- Peladang HeiTech Sdn Bhd

29%
- Vantage Point Consulting Sdn Bhd

25%
- NXSense Sdn Bhd

20%
- Silvertech Global Ltd.

Notes:

- The companies reflected above are active operating subsidiaries, associate and investment companies.
- Information is accurate as at to date 31st March 2020.

Corporate Milestones

1994

The Company started as Electronic Data Processing ("EDP") division in Permodalan Nasional Berhad ("PNB").

The division was then incorporated under the name of PNB Training and Resort Management Sdn. Bhd. and became wholly-owned subsidiary of PNB.

1995

The Company changed its name to PNB Information Technologies Sdn. Bhd. ("PNB IT").

1997

The Company underwent a Management Buy-Out ("MBO"), through Padujade Corporation Sdn. Bhd., acquired 65% of shares from PNB, thus becoming the holding company of PNB IT.

1998

PNB IT began its metamorphosis into an independent commercial entity.

PNB IT obtained its MS ISO 9001:2000 Quality Management Systems Certification from SIRIM QAS International.

1999

The Company changed its name to HeiTech Padu Sdn. Bhd.

The Company secured an IT outsourcing contract from PNB.

2000

The Company changed its name to HeiTech Padu Berhad ("HeiTech"), in line with its status as a public listed company.

HeiTech began its first trading on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE") currently known as Bursa Malaysia Securities Berhad.

2002

Operated from its new corporate headquarters, Menara HeiTech Village in USJ 1, Subang Jaya.

2004

Diversified its business portfolio with the acquisition of Inter-City MPC (M) Sdn. Bhd., a business process outsourcing company.

2006

Ventured into electronic media and content development business through the acquisition of Electronic Media Airtime Services Sdn. Bhd.

Launched of new corporate tagline "Truly Transformational" and core value "HeiWay".

HeiTech became the first local IT company to be certified with Information Security Management System ("ISMS") (ISO/IEC 27001:2005) from SIRIM QAS International.

HeiTech adopted Capability Maturity Model integration ("CMMI") as process model framework.

HeiTech secured a thirteen (13) years contract for Simulator System from Ministry of Defence.

2007

Clinched Frost & Sullivan Malaysia Telecoms Award.

Incorporation of InTech Solution, a joint venture company in Sri Lanka, to explore IT related business in South Asia.

Expanded its reach in the region by acquiring PT Intercity Kerlipan in Indonesia.

2008

Strengthen its position as global IT player by acquiring 10% equity in Saeed LLC, Abu Dhabi, United Arab Emirates ("UAE").

Launched HeiTech's Tier-IV ready Data Centre by YAB Dato' Sri Mohd Najib Tun Hj. Abdul Razak, Deputy Prime Minister of Malaysia.

2010

HeiTech collaborated with IBM and Universiti Malaysia Pahang ("UMP") in setting up Malaysia's first Academic Initiative on Campus "Centre of Excellence".

Enhanced its business portfolio in the Middle East and North Africa by setting up a joint venture company in Dubai, namely HeiTech International LLC (formerly known as Horizon LLC) with 40% equity.

HeiTech became the first local IT company to adopt System Applications and Products ("SAP") for its financial, logistic and human resource system.

2011

Extended its business in the Asia-Oceania region with the acquisition of Cinix1 Pty. Ltd. in Brisbane, Australia.

2015

Clinched Managed Services Provider of the Year Award by Frost & Sullivan Malaysia.

Entrusted by the Government for the Republic of The Union of Myanmar for Passport Issuance System and Visa Issuance System project.

2014

HeiTech secured its first Ministry of Health's contract for Sistem Pengurusan Pesakit("SPP") for Hospital Bentong, Hospital Raja Perempuan Zainab II, Kota Bharu and Hospital Tuanku Ja'afar, Seremban.

Honoured with the IBM 2014 Solution Innovator on Open Source Award.

2013

HeiTech strengthen its presence in South Asia with new contract secured from the Department of Immigration and Emigration of Sri Lanka.

2012

Presence in Middle East was further strengthen with a new contract secured from Saeed for Traffic System for Emirates Vehicle Gate.

Acquisition of 80% shares in DAPAT Vista Sdn Bhd from Television Airtime Services Sdn Bhd.

2016

HeiTech secured its first project on Cloud Services via strategic partnership with Hewlett Packard Enterprise.

Clinched the APAC CIO Outlook 25 Most Promising Disaster Recovery Solution Providers Award.

Bagged HPE 2016 100% Achievers Club by Hewlett Packard Enterprise.

Upgraded to QMS 9001:2015 certification with SIRIM Berhad.

2017

Accredited with the certification on Test Maturity Model Integration ("TMMi") Level 3 by the Malaysian Software Testing Board.

HeiTech's Data Centre has been gazetted as 'Kawasan Larangan' and 'Tempat Larangan' under the Law of Malaysia Act 298.

Conferred HPE Top Silver Partner 2017 by Hewlett Packard Enterprise.

Clinched McAfee Commercial Partner of the Year 2017 Malaysia by McAfee.

2019

Secured Smart Parking System contract from City Council of Penang Island and Seberang Perai Municipal Council, the first Smart Parking System in the country to be harnessing the combination of Internet of Things ("IoT"), IR 4.0 and Cloud Computing technologies with navigation system and online payment system.

Entered into a Memorandum of Understanding ("MOU") with University Technology Mara ("UiTM") in supporting the institution's 3U1I (three years in university, one year in industry) initiative for Faculty of Computer and Mathematical Sciences.

Embarked into certification of ISO 37001:2016 Anti Bribery Management System ("ABMS").

Signed Joint Venture ("JV") Agreement with PT Kirana Investama Nusantara to establish PT Desa Tech Nusantara, to provide a Shariah Compliance Cooperative Baitumal Wat Tamwil System in Indonesia.

2018

Re-organised the companies under the Group into three (3) cores.

Launched new Vision, Mission and Core Values after 11 years.

Conferred Cyber Security Innovation of the Year Award 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 Top 10 IBM Solution Providers 2018.

Launched HeiTech Venture Builder Programme to support the growth of start-up companies in Malaysia.

Highlights and Achievements

ORGANISATIONAL STRENGTH

Over 20 years of ICT expertise

Staff strength of **1,190**

Over 80% technical professionals

Local expertise with **international calibre**

Supported by **world class technology partners**

Trusted globally for **mission critical projects**

Presence in **6 countries**

ACHIEVEMENTS

Commenced Malaysian Government's **1st e-Government initiatives**

Modernised Malaysian public services by providing total IT solutions for government agencies

Instrumental in **transforming various industries** through ICT

Developed **Simulator Centre** for the Royal Malaysian Air Force

Developed and maintained IT solutions for the **world's largest unit trust organisations**

Developed an **efficient Hospital Information Management System** for Malaysian Government Hospitals

Pioneered a shared banking solution for a regional financial institution

Customised and integrate an **Islamic Core Banking System and Credit Management System** for a leading bank in Malaysia

VALUE CREATED BY HEITECH

Linking Governments to its citizens

Shaping the **next generation** of local IT specialists

High-class data centre infrastructure for regulated industries

Added **convenience, speed & reliability** for end users

Creating **local talents and expertise** in ICT sector

Better peace of mind and improved quality of life for the customers and their stakeholders

2019 HIGHLIGHTS

Profit **RM6.22 mil**

Total Revenue **RM360.82 mil**

EBITDA **RM39.88 mil**

Employees **1,190**

Total Assets **RM324.79 mil**

Gearing Ratio **57%**

Net Tangible Assets per Share **RM1.05**

Share Capital **RM117.75 mil**

Won **RM79.60 mil contract from Bank Simpanan Nasional** for enterprise storage upgrade and technology refreshment works

Secured **RM33.18 mil Ministry of Health ("MoH") contract** for Critical Care Information System ("CCIS")

Bagged **RM14.40 mil contract from the Inland Revenue Board ("IRB")** to renew the software licence for IRB's mainframe system

Secured **RM23.33 mil Perkeso contract** to develop and integrate a Scheme Management Application System

Embarked into **certification of ISO 37001:2016** Anti Bribery Management System ("ABMS")

Appointed to **develop and manage Smart Parking System** for Penang Island City Council and Seberang Prai Municipal Council

Set up JV in Indonesia to explore business opportunities

Highlights and Achievements

SIMPLIFIED SELECTED FIVE (5) YEARS GROUP REVIEW

REVENUE	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Network Related Services	75,930	66,553	55,334	51,367	**56,601**
System Application and Development	85,717	63,270	69,746	59,296	**125,946**
Disaster Recovery and Facility Management Services	29,465	45,332	38,736	40,443	**35,406**
Maintenance Charges	122,188	117,144	137,688	97,930	**94,115**
Mailing and Document Processing Services	31,409	25,516	22,241	18,046	**11,681**
Engineering Works	7,055	20,673	80,725	86,013	**10,725**
Database Management Services	5,100	5,673	6,435	6,528	**7,795**
Software Support and Licence Fees	4,537	4,126	4,117	3,303	**2,996**
Mobile Value Added Services	7,259	5,774	4,751	3,754	**2,761**
Others	7,578	8,527	7,099	12,766	**12,797**
	376,238	**362,588**	**426,872**	**379,446**	**360,823**

PROFITABILITY	2015	2016	2017	2018	2019
Profit/(loss) Before Tax (RM'000)	2,431	14,049	(14,541)	(36,431)	**6,636**
Profit/(loss) Before Tax Margin (%)	0.6	3.9	(3.4)	(9.6)	**1.8**
Profit/(loss) After Tax (RM'000)	1,212	7,883	(15,346)	(36,786)	**6,219**
Profit/(loss) Attributable to Shareholders (RM'000)	934	7,169	(13,998)	(27,064)	**7,429**
Earnings/(loss) per Share (RM)	0.0092*	0.0708*	(0.1383)*	(0.2674)*	**0.0734***

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

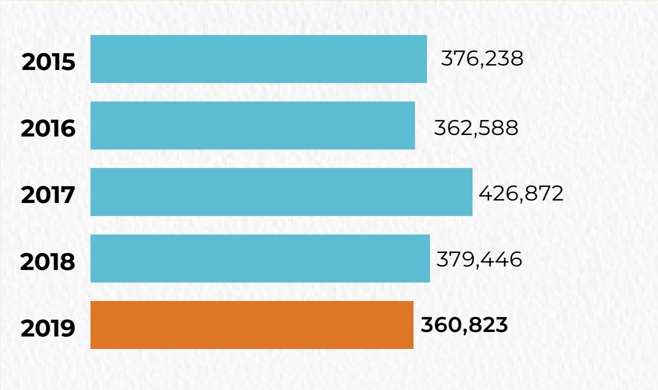
ASSETS EMPLOYED	2015	2016	2017	2018	2019
Total Assets (RM'000)	455,256	460,525	435,916	313,562	**324,789**
Non-Current Assets (RM'000)	143,148	131,159	103,474	98,245	**80,509**
Net Current Assets (RM'000)	78,370	80,902	73,846	9,209	**40,203**
Current Ratio (times)	1.34	1.33	1.29	1.04	**1.22**
Gearing Ratio (%)	56	53	54	53	**57**
Debt/Equity Ratio (times)	1.77	1.62	1.78	1.77	**1.74**
Shareholders' Fund (RM'000)	161,807	171,275	151,222	105,955	**113,215**
Net Tangible Assets (RM'000)	131,131	140,085	128,774	95,800	**105,852**
Net Tangible Assets per Share (RM)	1.30+	1.38+	1.27++	0.95++	**1.05++**
Share Capital (RM'000)	101,225	101,225	117,751	117,751	**117,751**
Share Capital ('000 units)	101,225	101,225	101,225	101,225	**101,225**

\+ Based on paid up capital of RM101,225,000

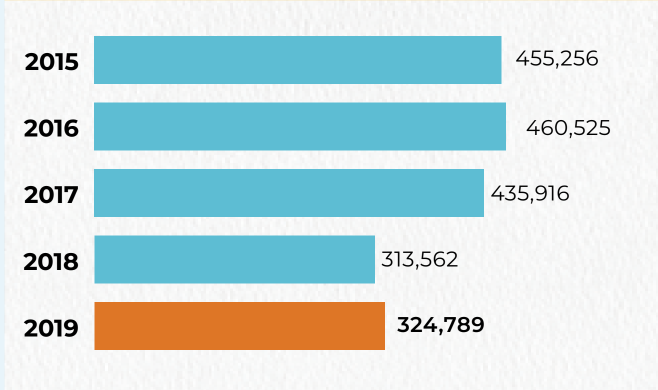
++ Based on paid up capital of RM117,751,000

FIVE (5) YEARS GROUP PERFORMANCE HIGHLIGHTS

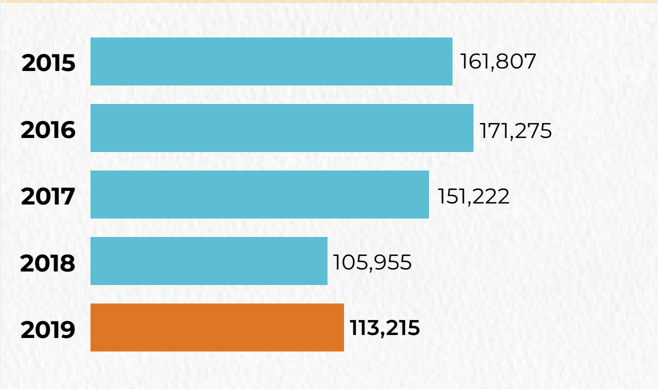
REVENUE (RM'000)



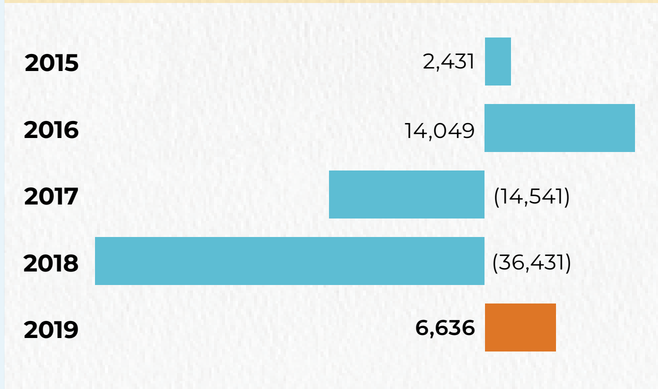
TOTAL ASSETS (RM'000)



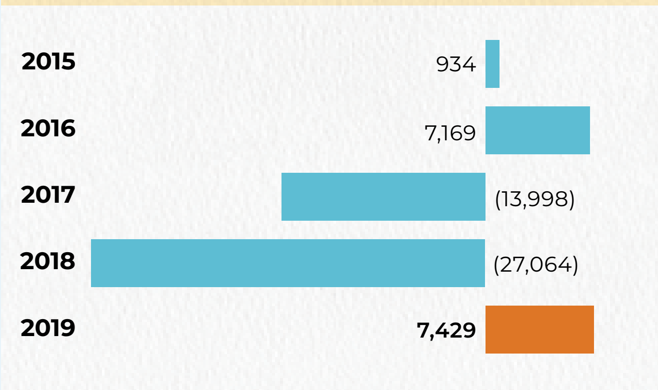
SHAREHOLDERS' FUND (RM'000)



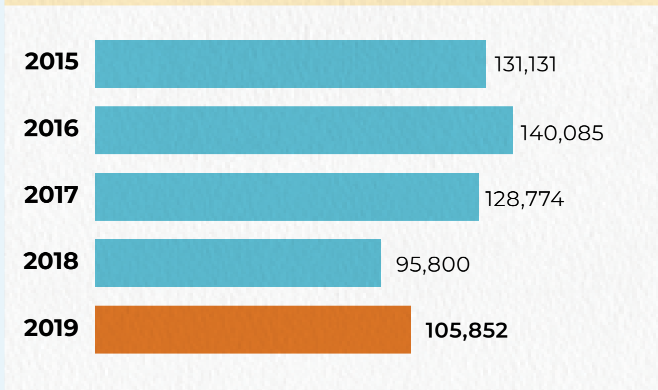
PROFIT/(LOSS) BEFORE TAX (RM'000)



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



NET TANGIBLE ASSETS (RM'000)



Business Strengths

HeiTech's orientation, business and operational strategies are based on its strengths. These strengths are guided by a strong focus on maximising our competitive advantage and minimising exposure to business and operational risks. These strengths are also pivotal in our approach and response to a dynamic and rapidly evolving marketplace.

The strengths that have been progressively developed over the years are constantly assessed in tandem with the changes in technology and marketplace. This is to ensure that we stay relevant and able to continue creating more values for our stakeholders.

MALAYSIA'S PROMINENT SYSTEM INTEGRATOR AND ICT SOLUTIONS PROVIDER

HeiTech has more than 25 years of track record for delivering cutting-edge, mission-critical ICT solutions and services to both Malaysian public and the private sectors. The Group is an industry pioneer for large scale, online, real-time system integration in Malaysia and brings extensive expertise and experience to deliver both proprietary, homegrown solutions and international products and services for a variety of industries and sectors.

PROVEN DIGITAL TRANSFORMATION EXPERIENCE AND EXPERTISE

HeiTech is synonymous for playing a pivotal role in the continued rollout of e-Government and other public sector digital transformation initiatives. The Group has been at the forefront of realising the government's modernization and digital transformation agenda enabling a wide range of services and solutions to be migrated to electronic channels.

EXPANSION OF BUSINESS OFFERINGS

The Group continues to evolve its business model from a Business to Government and Business to Business by including the end customers in our products and offerings. We have also diversified into industries other than ICT and moved into area beyond Malaysia in order to widen our revenue base and market presence.

REVENUE MIX FROM VARIOUS INDUSTRIES AND DIFFERENT MARKET SEGMENTS

Our diverse client base reduces over dependence on any particular business sector.

HIGHLY EXPERIENCED INDUSTRY LEADING TALENT

HeiTech's talent pool comprises some of the industry's top technology experts in their respective fields. This provides us with an extensive knowledge base and vast institutional memory. As a leading system integrator, the Group has set example for technology leadership in delivering large-scale, online, real-time, mission critical systems for the Malaysian Public Sector and Private Sector. We are proud of our role in transforming various industries both locally and globally driven by the capability, dedication and passion of more than 1000 team members.

NATIONWIDE INFRASTRUCTURE AND CUSTOMER SUPPORT PRESENCE

The Group's capacity and capability to deliver benchmark service standards to customers nationwide are attributed to its network of service locations and engineers. As managed services provider, we combine key elements of people, processes and technology, offering 24/7 operations and support nationwide. 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 superlative connectivity and availability to our clients.

TIER-IV READY DATA CENTRE

The Group operates one of few Tier-IV Ready Data Centres in Malaysia. This enables the delivery of world-class, next-generation data centre services to meet the demands of customers, including global businesses. The combination of experiences and technical certifications such as Business Continuity Management System (ISO 22301:2012), Information Security Management System (ISO 27001:2013) and Service Management System (ISO 20000-1:2011) allow us to provide a data centre with high quality standards that meets the demand of many organizations in terms of service level, availability, data integrity and security.

STRATEGIC ALLIANCE AND PARTNERSHIP

Complementing our homegrown solutions portfolio, HeiTech leverages on latest technology and cutting edge product via its multiple partnerships with global ICT brand names. These partnerships enhanced the quality and reliability of the Group's services and offerings.

Group Materiality Matters

Materiality remains a key aspect to HeiTech's value creation approach. In FY2019, in accordance to the Integrated Reporting connectivity of information guiding principle, beyond identifying materiality matters (across a triple bottom-line of economic, environmental and social perspectives), we have mapped our materiality matters based on their relationship(s) with the Group's use of capital resources, in achieving our business strategies while addressing the relevant stakeholders.

Our key focus business strategies are summarised as below:

ST1	ST2	ST3	ST4	ST5
Market retention and expansion	Strategic alliance	Expanding offering into new market	Technological innovation	Human capital development

For information on how the Group's management approach towards its materiality matters, kindly refer to the Sustainability Report section in this annual report.

Material Matters	Description	Affected Capitals	Affected Stakeholders	Affected Strategies
Supply Chain	Our ability to leverage on efficient and reliable partner / vendor is material to the Group's ability to achieve cost efficiency, service reliability and customer satisfaction.	Financial Social & Relationship	Partners / Vendors Regulatory Body	ST1, ST2
Innovation	Amidst constant disruption and change, our capability to innovate and derive new solutions to meet complex demands of customers is imperative in maintaining our competitive edge.	Intellectual Human Financial	Customers Employees Partners / Vendors	ST1, ST3, ST4, ST5
Cyber Security	In the age where cyber-attacks are common, the Group must remain vigilant in preserving the database to ensure customers' confidence and trust.	Financial Intellectual Social & Relationship	Customers Shareholders Regulatory Body	ST1, ST4
Employees	Innovation is powered not just through technology but by ideas and intellect, which stem from the capabilities of Warga HeiTech. As such, it is essential for us to continue developing highly competent, certified and motivated workforce.	Human Intellectual Social & Relationship	Employees Customers Shareholder	ST3, ST4, ST5

Material Matters	Description	Affected Capitals	Affected Stakeholders	Affected Strategies
Customer Satisfaction	A comprehensive understanding of our customers' requirements, aspirations and challenges are essential in developing cost-effective, scalable solutions as our solutions are developed to empower our customers.	Financial Human Social & Relationship	Customers Shareholders Employees	ST1 ST2 ST4
Service Quality	Our focus on tangible business solutions are paired with commitment towards providing industry benchmark service. Our ability to deliver excellent services is essential towards developing sustainable client relationships.	Financial Human Social & Relationship	Customers Employees Partners / Vendors	ST1 ST4 ST5
Community Support	True business sustainability is only achieved when we fulfil our role as a corporate citizen. We supported nation-building, talent development and job creation which translates into talent pool development and other benefits for HeiTech, the industry and the community as a whole.	Social & Relationship Human	Community Employee	ST5
Governance, Ethics and Compliance	Our ability to operate effectively tied to strict adherence to standards and regulations set by the relevant authorities. We have established effective governance and controlled structure to ensure proper conduct of business and operations are in place.	Intellectual Human	Government / Regulatory Body / Authority Shareholders Employee	ST1
Environment, Health and Safety ("EHS")	Despite having a low EHS exposure, the Group believes in continuing to maintain positive impacts towards the realisation of a better quality of life for stakeholders.	Social & Relationship Human Natural	Community Employee	ST2 ST4

HeiTech will continuously contribute and align our effort and operations to achieve the transformational change through the United Nation Sustainability Development Goals ("UNSDGs"). For the current reporting period, we believe that we have contributed to the following sustainability initiatives:

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Make cities and human settlements inclusive, safe, resilient and sustainable	Ensure sustainable consumption and production patterns	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

HeiTech Strategic Snapshot

Assets & Resources, Business Strengths	Business Strategies	Linkage to Materiality	Outputs, Performance Highlights & Achievements, Values Created
Malaysia's prominent system integrators and ICT solutions provider	Market retention and expansion Strategic Alliance Human Capital Development	Supply Chain Innovation Cyber Security Employees	Frost and Sullivan 2019 Asia Pacific Best Practices Award: Malaysia Managed Security Services Provider of the Year Frost and Sullivan 2019 Asia Pacific Best Practices Award: Malaysia Managed Infrastructure Services Provider of the Year Wide range of services i.e. SI, i-Sentrix, Secure-X, Padu*Net, AwanHeiTech, Pro*Services & Financial Solutions
Proven digital transformation experience and expertise	Technological Innovation Strategic Alliance Human Capital Development	Innovation Employees Customer Satisfaction	Leveraging on latest technology for product and services such as software defined network, cloud-based infrastructure and application, mobile technology and Internet of Things ("IoT") Customisations of applications and development of products that suit our customers' operational requirements such Asset Readiness Management System, Enhanced Training Aid Simulation, Tactical Operation Flight Trainer, Digital Tabletop, NextGate and DvocTrac
Ability to expand into new business offerings and market	Market retention and expansion Expanding offering into new market Technological Innovation	Supply Chain Community Support Innovation Employees	Among new products and services that were developed are: Penang Smart Parking, E-Lis for e-licensing and EzBill for transactions in local council; PintarDrive for driving licence e-testing ("PintarDrive"); and Sistem Manajemen Informasi Koperasi ("SMIK") targeting e-commerce in rural area in Indonesia
Revenue mix from various industries and different market segments	Market retention and expansion Expanding offering into new market Technological Innovation	Supply Chain Customer Satisfaction Service Quality Innovation	The Group's revenue comprised of IT and non-IT sectors that encompass customers from public and private sectors. The individual sector may vary year-on-year, but the Group has always managed to record steady level of revenue above RM300 million yearly. Comparatively, about 70% of the revenue in 2019 were from the commercial sectors against 40% in previous year. Meanwhile, about 59% of revenue in 2019 were from recurring contracts, almost the same at 58% in 2018.

Risks	Capitals Affected	Identified Opportunities	Strategic Priorities
Political & Regulatory Economic Financial People Cyber Threat and Data Privacy	Financial Human Intellectual Manufactured	Demand for IT services, products and applications are increasing tandem line with changes in economic conditions, IT penetration level, health and lifestyle	Capturing opportunities within public and commercial sectors Product development and service creation for business-to-consumer market segment and mass market segment
People Economic	Financial Intellectual Human Social and Relationship	Capitalising upon market confidence and trust on HeiTech as one of the incumbents in the industry	Comprehensive and competitive business proposals Strategic partnership for new products, services or market area Improving customers' satisfactions in using HeiTech's solutions
People Economic Political and Regulatory	Financial Human Intellectual Social and Relationship	Fast-moving trend of lifestyle forces people to rely heavily on gadgets and electronic solutions to manage their daily routines	Penetration into mass market through business-to-consumers and mass market offerings Identification of new market area with significant potential
Economic Financial Operational	Financial Human Intellectual	Market opening from regulatory reform for ICT sector Demand on green and renewable energy for engineering sector Online transactions and training for mailing and document processing	Resource planning in line with the Group's strategic direction Segregation of new market into high and low investment requirements to create focus and efficiency in capital and resources deployment

HeiTech Strategic Snapshot

Assets & Resources, Business Strengths	Business Strategies	Linkage to Materiality	Outputs, Performance Highlights & Achievements, Values Created
Highly experienced industry leading talents	Strategic Alliance Technological Innovation Human Capital Development	Employees Customer Satisfaction Service Quality	80% of the workforce are technical and customer facing personnel while the remaining 20% are on operational support
Nationwide infrastructure and customer support presence	Market retention and expansion Technological Innovation	Customer Satisfaction Service Quality Employees Governance, Ethics and Compliance	The Group's business operations are centred in Klang Valley, but our resources are available across the country for 24/7 service level support and maintenance to our customers In-house customer-call-centre ("CCC") to register and log incidents from customers
Tier-IV ready data centre	Market retention and expansion Strategic Alliance Technological Innovation	Governance, Ethics and Compliance Service Quality Cyber Security	Frost and Sullivan Excellence Award 2019: Malaysia Managed Infrastructure Services Provider of the Year for our Network and Data Centre Services
Strategic alliance and partnership	Strategic Alliance Technological Innovation Expanding offering into new market	Supply Chain Innovation Customer Satisfaction	Asia Pacific CIO Outlook 2019: Top 10 Managed Service Providers in the APAC Region Setting up joint venture companies with relevant partners for PintarDrive and SMIK system

Risks	Capitals Affected	Identified Opportunities	Strategic Priorities
People Operational	Human Intellectual Social and Relationship	Highly competent resources enhance credentials and promote trust upon the Group by customers and other stakeholders	Retaining of key and critical talents Resource requirement and planning process based on Group's prioritisation Centralised repository for the Group's intellectual properties and proprietary rights
Financial People Operational	Financial Human Social and Relationship	Customers' satisfaction will promote positive assessment to the Group's potential opportunities	Scheduled or ad-hoc maintenance to ensure infrastructures are in prime condition Deployment of adequate resources across the country to meet the service level obligations
Cyber threat and Data Privacy Political & Regulatory	Financial Intellectual Manufactured	Demand for cheaper and flexible database for information storage leads to cloud services offering	Maintaining customers' database Increasing subscribers for HeiTech's cloud services, AwanHeiTech
Economic People	Financial Intellectual Human Social and Relationship	Leveraging on partners for products and other services would contribute to economies of scale Exploration of new opportunities and market area via strategic partnership	Partner management program Business development and project deployment via joint venture

Risk and Opportunities with External Operating Environment

Risk	Description of Risk	Impact	Capitals Affected
Economic	HeiTech operates in a highly competitive market where the barrier to enter has been lowered in tandem with the advancement of technology. This has made exclusivity as a thing of the past.	• Stiff competition and challenges from the infrastructure, cost structure and pricing.	Financial Manufactured Intellectual Human
People	Warga HeiTech is the key to HeiTech's success. The availability of skilful and knowledgeable talent pool is vital to ensure the Group's competitive edge is intact. However, HeiTech is exposed to the risk of losing these skilled employees, which lead to loss of knowledge and experience due to the emergence of many IT players in the industry.	• Delay in service deliverable. • Loss of institution's intellectual.	Financial Manufactured Intellectual Human Social and Relationship
Operational	The Group is a large organisation with fluid structure, various internal processes and complex service and deliveries. HeiTech also operates in a highly regulated industry, which requires strict adherence to the regulatory requirements. As such, the potential that our internal processes are unable to cater for the above conditions may arise.	• Disruption to business operation • Reduction in market share	Financial Manufactured Intellectual Human

Linkage to Materiality	Mitigation Measures
Supply Chain Service Quality Customers Satisfaction	HeiTech continues to provide attractive offerings with competitive pricing to differentiate ourselves from the market competition. Our value proposition are always emphasized on understanding of customers' requirements and customised solutions to suit their needs. HeiTech has also ventured into other areas with potential growth for additional revenue streams, as an additional mitigation measure.
Employees	HeiTech has undertaken specific measure to mitigate the risk of losing our skilled and knowledgeable employees. Among others: • Program on retention of critical and key personnel; • Improvement in the working environment; • Lesson learnt from exit interview for future improvement; and • Internal Satisfaction Survey to gauge employees' morale. Succession planning program is also in place to prepare our staff with the necessary knowledge and skill to fill up any vacancy.
Supply Chain Service Quality Governance, Ethics and Compliance	We have put in place robust processes and established various committees to oversee the implementation and effectiveness of these processes. These processes are also duly certified by the relevant certification bodies. Among the certifications are as follows: • Information Security Management System (ISO 27001); • Quality Management System (ISO 9001:2015); • Service Management System (ISO 20000-1:2011); • Payment Card Industry Data Security Standard ("PCI DSS"); • Test Maturity Model Integration ("TMMI") certificate; and • Capability Maturity Model Integration ("CMMI®"). The various committees in the Group such as Executive Council Committee, Management Review Committee, Central Risk Review Committee, Procurement Committee and Central Review Committee will be overseeing the different processes within the Group. In addition to the above, HeiTech is currently working towards obtaining certifications on Risk Management in Technology ("RMiT") to comply with Bank Negara Malaysia's requirement and Anti-Bribery Management System ("ABMS").

Risk and Opportunities with External Operating Environment

Risk	Description of Risk	Impact	Capitals Affected
Financial	HeiTech operates in an industry that requires for significant capital expenditure to be incurred upfront. As such, our ability to secure adequate funding is very crucial in ensuring our commitments are successfully delivered.	• Unable to meet our commitments as per contracted. • Reputational impact among our customers.	Financial Social and Relationship
Cyber Threat and Data Privacy	HeiTech's nature of business involved sensitive information with regards to data confidentiality and proprietary content. The possibility of these information being compromised is imminent due to breach of security from cyber threat and hacking activities.	• Disruption to business operation. • Affecting reputation among customers.	Financial Intellectual Social and Relationship
Political and Regulatory	The Group is potentially affected by political condition as HeiTech serves various critical projects for the Government.	• Impact arising from changes in taxes, interest rates, trade controls and other Government's policies, rules and regulations. • Changes in the procurement process that may affect the rapport.	Financial Social and Relationship

Linkage to Materiality	Mitigation Measures
Supply Chain Innovation Governance, Ethics and Compliance	HeiTech uses its internally generated funds together with credit facilities to fund its working capital requirements. At this juncture, HeiTech has adequate facilities to be utilised for these purposes. Nevertheless, HeiTech is vigilant in keeping its gearing level at an acceptable rate. The association between future billable and financial exposure is constantly assessed in order to avoid unnecessary exposure in the financial obligations.
Cyber Security	We have established robust cyber security measures to mitigate this risk. Other than the necessary firewalls and frequent updates of security patches, we have carried out periodic penetration tests, recovery tests and assessments to ensure the integrity and security of the information are intact. Our processes have been duly certified by the relevant certification body. The relevant personnel that were employed to manage this risk are duly equipped with the necessary knowledge and skill.
Innovation Supply Chain Governance, Ethics and Compliance	HeiTech always believe that merit is the key to our success and our performance is weighed by our customers based on our deliverables. We also regard our years of experience have enabled us to understand the requirements of our customers better. As such, we believe that we are able to mitigate this risk through our merit, quality services and deliverables.

Value Creation

HEITECH'S

CAPITALS | INPUTS

Capital	Description	Inputs
FINANCIAL	Financial capital is fundamental in funding our operations and driving business growth. How the Group multiple what we have today into greater value is vital.	• Share capital: RM117.7 million • Borrowings: RM94.1 million • Cash and bank balances at beginning of FY2019: RM67.2 million • Employee wages: RM85.4 million
MANUFACTURED	Utilisation of our infrastructure towards delivering high-quality services to our customers and creating value to the Group.	• RM314 million in tangible and intangible assets • Tier-IV ready data centre infrastructure • 50,000 sq. ft. data centre capacity • 80,000 sq. ft. Corporate HQ • Certifications of network nodes
INTELLECTUAL	Our intangible assets that includes IP, knowledge, capabilities and brand that attributes to the Group's competitive advantage.	• Homegrown intellectual property • Vast body of knowledge including the support from global / international principal partners. • Certified employee skills and technical expertise as well as vast experience in the industry.
HUMAN	High performing workforce with diversity of gender, social background and capabilities that enriched the working culture.	• 1,200 employees • Professional development and talent management • Flexible working environment
SOCIAL AND RELATIONSHIP	Quality relationships with the stakeholders would enable the Group to achieve its sustainable objectives.	• Proactive engagements with stakeholders via various communication channels.
NATURAL	Consumption of natural resources in working environment leads to meet our sustainable objectives.	• Optimum consumption of natural resources i.e. water and electricity • Proper waste disposal • Venture into renewable energy

Governance

Risk & Opportunities

OUR VISION

"The trusted technology partner to enable customers' vision"

OUR STRATEGY

- Market retention and expansion
- Strategic alliances
- Expending offering into new markets

ENABLERS

- Evolving technology and innovation
- Industry Revolution 4.0 and Digitisation & Digitalisation (DX) initiatives
- Industry track record and merit
- Capable and experienced talent

SUSTAINABILITY

Economics	Environment
Creating direct and indirect economic values through sustainable business strategies and operations while driving sustainability across the value chain.	Continuing to manage our environmental footprint and impact in line with industry best practices and to ensure a cleaner, greener environment.
Focusing on both financial and non-financial values	Remain environmentally friendly across our business model and value chain

Goals, Targets & Performance

VALUE CREATION MODEL

OUR MISSION

"Touching lives with innovative solutions"

Strengthening IT Contracting & Concession Based Business

Technological innovation

Human capital development

Sustainability Policy

FRAMEWORK

Social

Ensuring positive and beneficial outcomes to stakeholder.

Meeting and exceeding customers' requirements

Delivering both positive results, benefits and outcomes

Stakeholder Engagement

OUTPUTS	OUTCOMES
• Revenue: RM360.8 million • EBITDA: RM39.9 million • Cash and bank balances: RM47.1 million • Share capital: RM117.7 million • Borrowings: RM112.1 million	• RM1.2 million paid in income tax • RM83.8 million paid in wages • RM10.29 million paid to financiers
• Improved pipeline and funnel management • Expansion of customer base • Obtained certificate of Kawasan Larangan for data centre	• Total assets of RM325 million • Excellent connectivity, availability and accessibility for customers via our Universal Service Centers all across Malaysia
• Adopted international standard and certification i.e. CMMI Level 3, QMS, ISMS, SMS and BCMS • Internal knowledge based repository • Creation of in-house products and solutions • New market penetration • Venture Builder Program	• Recognition and award received by the industry • Embarkation into mass market – B2C initiatives such as Smart Parking and Elis (E-licensing) • The birth of technopreneurs within the Group
• 1,190 employees • 80% technical and 20% non technical workforce • Certified technical personnel • Low 13.81% turnover rate	• Work-life balance • Increase productivity • High employee morale • Accountable leaders and down liners • Highly skilled professionals • Creation of brand ambassadors in their niche areas
• Community programs by HeiTech Cares volunteer program • Participation in industry roadshows and events • Internships for more than 100 students • University visits • Investor Relations program • 3U1I program with the university • Partner engagement programs • Stakeholder engagement via social media platform	• Stronger rapport with stakeholders • Understanding stakeholder's aspirations, concerns and needs • Creation of job opportunities to fresh graduates • Nurture the talent of young generation into the IT industry • Enhance the living standards of the community within • Build brand, traffic and market insights
• 4.63 MT solid waste from paper • 47,084 cubic meter of water • 9,263,402Kwh electricity, • 72kg of office waste recycled • New opportunity in renewable energy	• Continue managing the usage of natural resources • Reduction in usage of paper and electricity that leads to lower carbon emission • Creation of new revenue stream in renewable energy sector

Chairman's Statement

DEAR VALUED SHAREHOLDERS,

It is an honour for me to deliver this statement on behalf of the Board of Directors ("Board") of HeiTech Padu Berhad ("HeiTech") and to present the Integrated Report and audited financial statements for the financial year ended 31 December 2019 ("FY2019"), which marks our 25th Anniversary.

For the past 25 years, we at HeiTech have helped authorities and businesses running efficiently through the provision of reliable, secure, cost-effective and customer-driven technology. As one of Malaysia's leading ICT players, HeiTech has brought many innovative technologies that provide essential services to the nation's security, healthcare, transport, defence and financial services industries, touching the lives of all Malaysians in some way or other.

It has indeed been "25 Years of Excellence" since our founding in 1994 as a division of Permodalan Nasional Berhad ("PNB"), transforming into an independent commercial entity and subsequently listed on the Main Market of Bursa Malaysia Securities Berhad in the year 2000. Today, our staff strength numbers a thousand, of which 80% are technical professionals. Our presence is not only in Malaysia, but also in Asia, Australia and the Middle East by helping governments and corporations transform complex mission-critical operations and business processes into integrated and more reliable solutions.

We are driven by our passion and perseverance to deliver the best to enable our customers' vision, and we will continue to rely on this drive as we face the challenges of 2020 and beyond.

MARKET OUTLOOK

The year 2020 is shaping up to be one of uncertainty as the global pandemic of coronavirus disease 2019 ("Covid-19") disrupts economies and livelihoods around the world. Forecasts have slashed global growth projections to minus 2% as we wait to see the length of this outbreak and how governments around the world respond to contain this threat and mitigate its effects on the economy. Whether the global economy is headed for recession or a rebound is anyone's guess at this moment. Rest assured that we will be monitoring the situation as it develops.

At the local level, the Malaysian economy is also wary of political development that transpired in the last few months and the plunge of global oil prices, while the Covid-19 outbreak had exacerbates the situation. Bank Negara Malaysia's sombre GDP growth projection of -2% to 0.5% reflects the challenging times that lie ahead.

But, those of us in the ICT industry also recognise the opportunity presented by the adversity of Covid-19. This is one industry, aside from healthcare, that has emerged as the most crucial in contributing to the fight against the disease and its effects on economies.

“A value-driven approach and alignment with global reporting best practices will help to strengthen the governance of HeiTech and ensure we remain true to our core values and purpose in becoming the trusted technology partner to our customers.”

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

Chairman's Statement

Since the early days of the outbreak, big data, temperature analysis systems and facial recognition technology are just some of the measures deployed in the detection, prevention and elimination approach of virus containment. As governments around the world impose quarantines, lockdowns and movement control measures, businesses and societies have increasingly relied on telecommunication and collaboration tools, e-learning platforms, intelligent supply systems and artificial intelligence to help us surmount the breakdown in value chains and bridge the isolation caused by the outbreak.

Realistically, IT spend in affected industries will be strongly curbed in the short and mid-term view as companies grapple with losses brought on by Covid-19's disruptions. Nevertheless, this same situation could drive additional ICT investments from healthcare and the public sector with a longer view to strengthen data centre, network services, cloud infrastructure, and system integration and fast track collaboration tool deployments with work from home arrangements fast becoming the norm.

As one of the incumbent in this field, we stand ready to capitalise on these opportunities while keeping focus on executing the key strategies for our three cores.

It has indeed been "25 Years of Excellence" since our founding in 1994 as a division of Permodalan Nasional Berhad ("PNB"), transforming into an independent commercial entity and subsequently listed on the Main Market of Bursa Malaysia Securities Berhad in the year 2000. Today, our staff strength numbers a thousand, of which 80% are technical professionals.

STAYING SAFE

In light of the Covid-19 outbreak, we have taken the necessary measures to ensure Warga HeiTech protect themselves and others from this pandemic. Aside from strict adherence to the Government's instructions on the Movement Control Order ("MCO"), we have established guidelines and procedures to ensure that work can resume smoothly without compromising on the health and safety of our employees.

Our "Work from Home" initiative, which has been in place since early March, continues to be in effect during the MCO period for non-essential workers. Communications are conducted through emails, phone, and video web conference, with work milestones updated on our internal web-based system. We have also developed a mobile-web application called DvocTrac specifically to monitor the health, productivity and locality of our people during the MCO.

Meanwhile, employees who are required to be physically present at HeiTech or customers' premises for the maintenance of essential ICT infrastructure are provided with masks and hand-sanitisers, and temperature checks are conducted at the office entrance on a daily basis.

All employees and associated contractors are informed about our plans and procedure to ensure they are aware of and comply with the precautionary measures we have put in place. In addition to this, the OSH Committee and Corporate Communications Department provide daily internal updates on Covid-19 statistics and safety alerts and reminders to ensure all Warga HeiTech and their families benefit from this information.

ENHANCING GOVERNANCE

Given the elevated risks in this tough operating environment, a good corporate governance is ever more important to ensure that we are able to go through the challenges. In this, I am supported by a capable Board with a good mix of skills that will no doubt contribute to HeiTech's continued success and sustainability.

We are joined this year by Datuk Jayakumar A/L Panneer Selvam as a Non-Independent Non-Executive Director, who brings with him over two decades of IT, e-services and management experience. He fills a void left by the resignation of Executive Director Encik Harris Bin Ismail and Non-Independent Non-Executive Director Puan Amizar Binti Mizuar on 30 June 2019 and 10 December 2019 respectively, to whom we owe a debt of gratitude for their contributions and wish the best for their future endeavours.

We are pleased to announce that HeiTech has embarked on a progressive journey towards Integrated Reporting ("<IR>") adoption beginning this financial year. The Board is of the view that structuring our report based on the guiding principles and content elements of the <IR> framework as prescribed by the International Integrated Reporting Council ("IIRC") will enable our stakeholders to gain a more comprehensive understanding of HeiTech's business, the capitals and resources we use, the risks affecting our business and the value we create for our stakeholders in the short, medium and longer term.

A value-driven approach and alignment with global reporting best practices will help to strengthen the governance of HeiTech and ensure we remain true to our core values and purpose in becoming the trusted technology partner to our customers.

ACKNOWLEDGEMENTS

Much of the credit for FY2019's success goes to our Management team and the hardworking employees of HeiTech. Under the leadership of our President/ Executive Deputy Chairman, Dato' Sri Mohd Hilmey Mohd Taib, they have successfully steered the Group to be back on track and for that, I would like to thank them for their efforts, commitment and perseverance.

I would also like to thank my fellow Board members for providing their balanced counsel and guidance throughout the past year. On their behalf, I wish to extend our appreciation to all our shareholders, customers, business partners, financiers, and the Government and regulatory authorities for the continuous support.

Together, may we continue to touch lives with innovative solutions and reach greater heights of excellence throughout the next 25 years.

Management Discussion and Analysis

BUSINESS OVERVIEW

GROUP OVERVIEW

HeiTech Padu Berhad ("HeiTech") is an information technology ("IT") systems service provider that specialises in developing information, communication and technology ("ICT") systems and infrastructure for public and private sectors, offering complete end-to-end, customised solutions that are essential in today's dynamic business environment.

HeiTech has 25 years of experience in this field 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. We are proud of the integral role we have played in the technological transformation of various industries.

We believe that our customers' success depends on sound technological support. Therefore, our staff are dedicated in understanding these needs by providing innovative solutions and quality deliverables tailored to those needs, transforming their business processes into total and comprehensive information systems that enhance their efficiency and productivity.

We remain focused to be the trusted technology partner to our customers encompassing areas in national security, transportation, financial services, healthcare, defence, retail sectors, local councils and masses. Apart from IT, the Group also ventured into other areas such as engineering works, mailing and document processing activities and renewable energy as part of the Group's diversification strategy.

SEGMENTAL OVERVIEW

The Group acknowledged that political, economic and sociological factors that are shaping the current industry and business landscape have impacted the decision-making process of the Management. Based on these considerations, the Group has clustered and segmentised its companies to align with the strategic direction based on the Group's primary strength, diversified industries and innovations for future growth, reported as Core 1, Core 2 and Core 3 respectively. This enables us to zero in on each strategic thrust's focus areas and allows us to respond more effectively to market changes, risks, threats, and opportunities.

Core 1

Core 1 consists of the principal business activities of the Group, consolidating HeiTech's brands in the information technology sector. It offers a range of IT products and services that are grouped into two main categories:

i. **System Integration**

This segment consists of system application and development, trading of hardware and software, as well as maintenance service.

HeiTech is a pioneer among system integrators in Malaysia. Through the successful implementation of the 3J projects, we have instilled confidence in local players' capabilities in this field and consequently opened the door for others to enter the system integration market.

Given our track record and reputation as the industry forerunner, we continue to remain relevant even as competition stiffens in the domestic market. Our emphasis on efficiency, productivity, quality and a results-driven attitude, coupled with our competitive pricing strategy and attractive offerings, helped to differentiate ourselves from our peers.

ii. **Managed Services**

Managed Services segment consists of ICT infrastructure solutions such as Managed Data Centre Services, Managed Network and Communications Services, Desktop Management Services, Business Continuity Management, Customer Care / Helpdesk Services, ICT Deployment Services and Cloud Services. It is the Group's main staple for fixed and recurring revenue, providing a defensive earning against the high profile and volatile contribution from the System Integration business.

HeiTech has over 16 years of experience in Managed Network Services and Data Centre Services with a reputation for providing reliable, secure and cost-effective customer-driven technology and world class service. We own and manage a Tier-IV ready data centre facility located in Bukit Jelutong, Selangor and offer services to develop, build and manage data centre facilities.

Managed Services serve both the public and commercial sectors, with entrenched customer bases in the financial services and retailing sectors focusing on digitalisation of business processes ("DX") to enhance customers' experience ("CX"). This includes the management of IT services for the nation's leading unit trust body that includes application, data centre, disaster recovery, desktop management and helpdesk services.

Our services are ISO certified for Information Security Management System (ISO 27001), Quality Management System (ISO 9001:2015) and Service Management System (ISO 20000-1:2011) to ensure a consistent standard of service that meets the high quality demand of many organizations in terms of service level, availability, data integrity and security.

Aside from that, we have also been awarded The Managed Services Provider of the Year by Frost & Sullivan in 2015, Asia Pacific CIO Outlook 25 Most Promising Disaster Recovery Service Solutions Provider 2016, and Hewlett Packard Enterprise's HPE 100% Achievers Club 2016.

In 2019, HeiTech was awarded with Excellence Award 2019: Malaysia Managed Security Services Provider of the Year and Excellence Award 2019: Malaysia Managed Infrastructure Services Provider of the Year by Frost and Sullivan and Asia Pacific CIO Outlook 2019: Top 10 Managed Service Providers in the APAC Region.

Core 2

Core 2 leverages on the diverse services and solutions provided by the multi-industry companies within the Group. It comprises companies that operated in database management for automotive industry, mobile application, mailing and document processing services, and engineering works, as well as renewable energy and defence sectors.

Core 2 is also embarking into a mass market business model. A new venture has been established in Indonesia under this initiative, which among others, is to develop and deploy a shariah compliant cooperative system for the rural population.

Customers in Core 2 are largely from the private sector, with products primarily serving the business to consumer ("B2C") segment.

Core 3

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

Core 3 has been positioned as the Group's driver of innovation, working in tandem with strategic partners to accelerate the development and discovery of new technologies and new ventures.

Management Discussion and Analysis

CHALLENGES

CORE 1

i. **System Integration**

Among the major challenges impacting this segment is the reduction in value and quantum of IT development and maintenance projects from the public sector of local industries. For the past few years, the allocation for development expenditure has been less than 20% from country's yearly budget, which would affect the priority of public infrastructure, IT infrastructure and system development within the national development agenda.

Furthermore, the presence of more IT players in the industry has translated into stiffer competition. 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 productivity and results without comprising on the quality of our services and deliverables. Our emphasis on efficiency, productivity, quality and a results-driven attitude, coupled with our competitive pricing strategy and attractive offerings, helped to further differentiate ourselves from our peers.

ii. **Managed Services**

Network services

Being a non-telecommunication outfit ("telco") providing network services is a great challenge as the playing field to compete against the telecommunication giants is less than levelled, right from the infrastructure and cost structure to price competitiveness.

The Group has infused creativity in the network product portfolios as a strategy to differentiate ourselves from the telcos. A good understanding of our customers' needs is a significant factor in achieving this, ensuring we stay relevant to retain our customers and combat the constant threat and competition from the telcos.

Additionally, the highly regulated nature of the network service industry also poses a challenge as it warrants strict adherence to rules and regulations.

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 our data centre and disaster recovery facilities are constantly re-assessed to ensure any exposure to risks is adequately mitigated. The Group has always managed to deliver the services to the customers to the highest standards. 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. Changes in technology and prudent spending by customers are the biggest challenges faced by the companies under this segment. In order to mitigate this, the companies under Core 2 have to keep abreast with the latest changes in the market and propose the best solutions to the customers to accommodate their requirements. Some of the initiatives that have been taken are to assist the customers in local councils and automotive insurance claims with further automation of their business processes so as to improve delivery and response time to their clients. Core 2 has also set up a low-cost IT outfit in anticipation of further tight and prudent spending by customers against their businesses' IT requirements.

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, monetisation method and capital raising. Nevertheless, the Group is positive on the prospect from the initiatives that are currently being farmed.

OPERATIONAL OVERVIEW

Through patience, perseverance and prudence, the Group has managed to turnaround its performance in 2019 and with renewed optimism towards the Group's growth trajectory, while remain cautious on the challenging times that lie ahead.

2019 OPERATING ENVIRONMENT

The world around us is changing rapidly and never more so than in 2019. We see industrial robots out-compete low-skilled manufacturing labour; cryptocurrency disturbing the financial system; artificial intelligence ("AI") threatening ASEAN's service jobs; self-driving vehicles hitting the road in South-East Asia and other disruptions of the 4th Industrial Revolution. All these changes stimulate new industries, leapfrog legacy business models and fundamentally change the lives of millions of people.

At a macroeconomic level, the past year saw Malaysia's export reliant economy facing continued headwinds from global trade tensions. Our GDP expanded at a rate of 4.3% as compared to 4.8% registered in FY2018, its slowest in a decade and well below initial forecasts. It was mainly driven by Malaysia's recovering manufacturing sector and resilient private sector spending, but ultimately dampened by lower palm oil output, reduced crude oil and natural gas production, as well as a contraction in public investment activity.

Despite the challenging external environment, the technology industry remained buoyant due to rising demand in the sector. The ongoing digitalisation has also increased spending on IT systems and infrastructure, resulting in more players entering the field to compete.

Regulatory reforms under the Mandatory Standard on Access Pricing ("MSAP") implementation means more companies are able to access the country's readily available broadband infrastructure and provide a retail market offering. With increased competition, broadband prices have fallen by 49% compared to 2018 while internet speed soared by a whopping 400%, benefitting consumers and spurring sectorial growth.

Meanwhile, the launch of 5G network at the world stage has the industry abuzz and enhanced investor optimism in the sector. This has fuelled further capital allocation on broadband services, data centres, storage enterprises and smart applications that will likely continue into 2020 and beyond.

OUR STRATEGIC RESPONSE

At HeiTech, everything begins with the customer. Though we operate in the high-tech sector, our business model requires a high-touch approach to secure and retain sales, in addition to service quality. Hence, it is of paramount importance for the engagement team to understand the customer – its business, its culture, its pains, and its desires. From here, together with the customer, the journey will be charted, not only the technological journey but also its operational journey, deriving benefits from our implemented systems.

Through the combination of business thinking and technological knowledge, we can bring forth transformation to our customers' systems that improves customers' experience ("CX") via omni-channel touchpoints such as kiosk, portal, mobile apps and others, and faster turnaround time for their business transactions. It's how we bring value to our customers and ensure our customers continue to place their trust in us as their dependable technology partner.

Our customer-driven approach is emphasised in 2019 as the presence of more IT players in the industry that HeiTech operates has translated into stiffer competition and challenges for the Group. In order to remain relevant, competitive pricing with attractive offerings tailored to customers' needs are crucial in differentiating ourselves against the competitors. We also recognised the need for efficiency and flexibility, in our operations as well as the structures and systems we cater for our customers in order to adapt to the fast pace of digital economy and to improve productivity and results.

Management Discussion and Analysis

In short, our efforts to drive growth in 2019 can be summarised into the following strategies:

- **Putting digital economy at the core of our business**
- **Drive fast, iterative innovation**
- **Be hyper-relevant to the customers**
- **Create flexible structures that cut across silos**

With these as our roadmap, we have identified specific priorities and areas of opportunities for each of our 3 cores to achieve their respective targets. These include securing recurring business from existing customers while gaining new business from both existing and new customers.

CORE 1: Strengthening IT contracting business	We continued to support customers' businesses in an effort to maintain and regain our market share.
CORE 2: Maximising profit through investment company	We geared our efforts towards developing products for B2C segments while venturing into new market area.
CORE 3: Exploring and expanding new business	With a focus on consumer and concession-based initiatives, especially within the transport sector, the prospects pursued are e-testing for driving license and focussing on IR4.0.

OPERATIONAL HIGHLIGHTS

Despite a competitive landscape, the Group was successful in securing several service extensions and new contracts in 2019 as follows:

i. On 9 January 2019, HeiTech secured a contract for supplying, transmitting, installing, configuring, testing and commissioning of Critical Care Information System ("CCIS") in the Intensive Care Units ("ICU") for 11 hospitals under the Ministry of Health for a period of 3 years.

ii. The Company had been awarded with a contract to renew the software license for mainframe systems of Lembaga Hasil Dalam Negeri ("LHDN") on 23 January 2019, valued at RM14.40 million for a period of 2 years.

iii. This was later followed by another renewal of licenses and maintenance for LHDN's mainframe systems worth RM34.80 million for 2 years, signed on 23 December 2019.

iv. HeiTech secured a contract from PERKESO for the development and integration of its Scheme Management Application System valued at RM23.33 million for a period of 38 months.

v. HeiTech was awarded with concession contracts by Majlis Perbandaran Seberang Perai ("MPSP") and Majlis Bandaraya Pulau Pinang ("MBPP") for the Development and Management of Smart Parking System for a period of 7 years for the respective parties – HeiTech's first secured sales venturing into IoT Sensors and Smart Parking Solutions. Both contracts were revenue sharing concessions between HeiTech and MPSP and MBPP respectively, at the agreed rates on the parking revenue collected at their municipality. The Penang Smart Parking ("PSP") system allows users to see which parking lots are vacant through the smartphone app, with the installation of sensors on the state's 36,000 council-owned parking lots, and requires all users to pay for parking via the app.

vi. The Company has also been successful in the tender for the enterprise storage upgrade and technology refresh contract from Bank Simpanan Nasional ("BSN"). Awarded on 21 June 2019, this further strengthens our foothold in the financial services industry while providing line of sight into future earnings of RM79.60 million over 3 years.

vii. The Company has established a joint venture with PT Kirana Investama to form a company in Indonesia named PT Desa Tech Nusantara, securing a new market area with mass market potential to implement cooperative systems in Indonesia.

BUSINESS OVERVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE

GROUP INCOME STATEMENT ANALYSIS

	2019 RM'000	2018 RM'000	Variance RM'000	%
Revenue	360,823	379,446	(18,623)	-5
Other income	7,885	18,066	(10,181)	-56
Expenses	(361,133)	(431,246)	70,113	-16
Share of associates' results	(939)	(2,697)	1,758	-65
Profit/(Loss) before tax	6,636	(36,431)	43,067	-118
Taxation	(417)	(355)	(62)	17
Profit/(Loss) after tax	**6,219**	**(36,786)**	**43,005**	**117**

The past few years have been very challenging for the Group. Prudent spending by customers, market saturation, competition and changes in technology were some of the challenges that the Group had to endure. The Group has been working tirelessly to overcome these challenges and to put the financial performance back on track.

Gratefully, after all the challenges and dismay results in prior year, the Group has managed to turnaround its overall financial performance in 2019. Despite some reduction in revenue from RM379.4 million in 2018 to RM360.8 million in 2019, the net result of the Group has improved from a net loss of RM36.8 million in 2018 to a net profit of RM6.2 million, representing a total turnaround of about RM43.0 million.

BREAKDOWN OF REVENUE BY SEGMENT

The breakdown of the Group's revenue by respective segment is as follows:

		2019 RM'000	2018 RM'000
Core 1	84%	304,277	259,094
Core 2	16%	56,546	120,352
Core 3		-	-
		360,823	**379,446**

CORE 1

The table below further illustrates the type of revenue from business activities under Core 1:

	2019 RM' Million	2018 RM' Million	Variance RM' Million	%
System application and development	123	59	64	108
Maintenance services	82	98	(16)	(16)
Network services	57	51	6	12
Disaster recovery and facility management	35	41	(6)	(15)
Others	7	10	(3)	(30)
Total segment revenue	**304**	**259**	**45**	**17**

For the past few years, Core 1 has been facing stiff competition especially in the public sector market segment that resulted in revenue volatility. However, after continued and relentless efforts by the team, Core 1 has managed to increase its revenue to exceed RM304 million in 2019. Some new contracts involving system application and development that were secured in 2019 have significantly contributed to the increase.

Meanwhile, maintenance services were still one of major contributor to the revenue despite some reduction for 2019 as certain long-term maintenance contract that has expired in the prior year was awarded on short term renewal basis. Slight changes were recorded in the revenue from network services and disaster recovery facility management services due to new acquisition and expiry of contracts respectively.

Management Discussion and Analysis

CORE 2

The business activities under Core 2 are diversified and span over different sectors, namely IT, engineering works and document processing. The breakdown of revenue is as follows:

Sector	2019 RM'Million	2018 RM'Million
Information technology services	30	17
Engineering works	11	86
Mailing and document processing	16	18
TOTAL	**57**	**121**

Overall, revenue from Core 2 has reduced significantly from RM121 million to RM57 million in 2019, mainly attributed to its non-IT sectors. Revenue from engineering works has significantly reduced as most of the projects in-hand have been completed, and also due to the absence of major contracts being secured during the year. Similarly, the revenue from mailing and documents processing sector has also reduced. Despite having a reasonable amount of contracts, the decline in printing and mailing volume in the midst of competition from electronic and online transactions has taken its toll on the sector's revenue.

As for IT sector, certain business operations have been moved to Core 2 during the year to be in line with the decision-making process and strategic planning of the Group.

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.

BREAKDOWN OF REVENUE BY GEOGRAPHICAL SEGMENT

	Revenue		Contribution	
	2019 RM'000	2018 RM'000	2019 %	2018 %
By country:				
Malaysia	357.2	375.7	99	99
Australia	3.0	3.3	1	1
Indonesia	0.6	0.5	0	0
	360.8	**379.5**		

The Group's revenue by geographical segment is reported through companies operating in Malaysia, Australia and Indonesia. At RM357.2 million (2018: RM375.7 million) in revenue, Malaysia is the biggest contributor to the Group's results, followed by Australia and Indonesia.

The subsidiary in Australia and Indonesia are involved in the provision of support software services for automotive repair industry and document processing and mailing activities respectively. The contribution from these companies to the Group is very minimal due to their small size of operations.

During the year, the Group has ventured into online market in Indonesia in a bid to boost the Group's presence in Indonesia as well as to increase our customer base. However, it is still at an early stage and has yet to produce any result.

EXPENSES

Overall, the total expenses of the Group had reduced by RM70 million or 16% from RM431 million in 2018 to RM361 million in 2019, as further explained below:

Description	2019 RM'000	2018 RM'000	Variance RM'000	%
Project related expenses	211,382	253,719	(42,337)	-17
Personnel expenses	83,819	85,389	(1,570)	-2
Depreciation and amortisation	11,971	19,215	(7,244)	-38
Impairment	4,094	17,538	(13,444)	-77
Administration expenses	36,780	44,143	(7,363)	-17
Finance expenses	13,087	11,242	1,845	16
	361,133	**431,246**	**(70,113)**	**-16**

Project related expenses made up 59% of the Group's total operating expenses, followed by personnel expenses at 23%. The reduction in project expenses from RM254 million in 2018 to RM211 million was mainly attributed to lower project expenses in engineering sector in the absence of new development projects being secured.

Staff costs was slightly lower in 2019 following the departure of certain key people due to retirement and resignation. The Group's staff strength was slightly higher than 1,000 at the end of 2019 (2018: 924), with additional staff hired were mainly for project deployment.

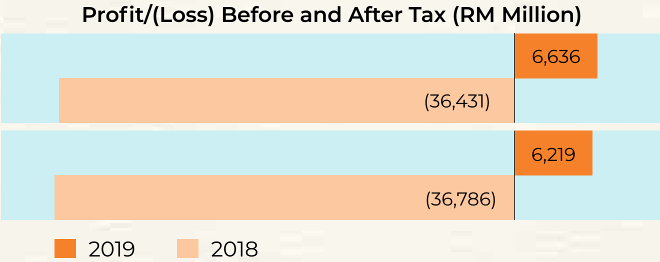
Certain items in the Group's computer and network equipment have fully depreciated in the prior year, resulting in lower depreciation for 2019.

Impairment related expense has also dropped quite significantly in 2019. The drop was mainly attributed to lower impairment on intangible assets from RM13.6 million to RM1.6 million in 2019. The Group has been very attentive in assessing the recoverability of its investments and other assets in order to reflect their fair valuations. Intangible assets for the year under review were mainly related to goodwill and internally developed systems, and most of the related carrying amounts have been written down in the preceding years. Another expense under impairment was on receivables, which stood at RM2.5 million (2018: RM3.2 million). Despite some reduction, the amount was still relatively significant as the computation of the recoverability is now based on the expected credit loss method which required for default rates to be allocated to each bucket of receivables' aging as prescribed by the accounting standards, as opposed to the specific provision method adopted in the past.

As for overheads, the Group has always strived to keep the costs at bay. The efforts have resulted in lower administration costs by RM7.3 million in 2019. Finance costs had slightly increased by RM1.8 million, mainly due to utilisation of banking facilities for the deployment of new contracts secured during the year.

RESULTS BEFORE AND AFTER TAX

Profit/(Loss) Before and After Tax (RM Million)



The Group has recorded pre-tax and post-tax profits of RM6.6 million and RM6.2 million respectively in 2019 as opposed to pre-tax and post-tax losses of RM36.4 million and RM36.8 million respectively in 2018, representing a total turnaround of about RM43.0 million. The result was primarily attributable to improvement in the operational margin, especially from the IT segment, and reduction in non-operational expenses such as impairment and overheads.

It is also noteworthy to highlight that the Group's earning before tax, depreciation and amortisation, impairment, interest and taxation ("EBIITDA") has improved further from RM11.6 million in 2018 to RM39.9 million in 2019, demonstrating resilience by the Group in facing an extremely tough business environment.

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 2019 and 2018.

ASSETS EMPLOYED	2019	2018	Variance	%
Non-current Assets (RM'000)	80,509	98,245	(17,736)	-18
Current Assets (RM'000)	244,280	215,317	28,963	13
Total Assets (RM'000)	**324,789**	**313,562**	**11,227**	**4**
Net Current Assets (RM'000)	40,203	9,209	30,994	337
Shareholders' Fund (RM'000)	113,215	105,955	7,260	7
Share Capital ('000 units)	101,225	101,225	-	0
Net Tangible Assets ("NTA") per share (RM)	1.05	0.95	0.10	10

The Group's total assets stood at RM324.8 million in 2019, about RM11.2 million higher than 2018. Non-current assets registered a reduction of RM17.7 million as a long-term maintenance contract asset is expiring in 2020. Included in the non-current assets is a right-of-use asset of RM13.6 million that relates to long term operating leases. This is a new treatment following the adoption of a new accounting standards on leases in 2019.

Management Discussion and Analysis

Meanwhile, current assets were higher by RM29.0 million in 2019, mainly attributed to additional balance of about RM26.9 million in contract assets for new development projects secured in 2019. This has strengthened the Group's net current assets (current assets less current liabilities) by RM31.0 million in 2019 as opposed to RM9.2 million in 2018.

The positive financial performance in 2019 has contributed to improvements in the Group's shareholders' fund and Net Tangible Assets ("NTA") per share respectively.

LIABILITIES AND WORKING CAPITAL

LIABILITIES AND WORKING CAPITAL	2019	2018	Variance	%
Payables (RM'000)	90,337	116,969	(26,632)	(23)
Borrowings (RM'000)	112,085	94,070	18,015	19
Lease Liability (RM'000)	14,394	-	14,394	100
Total Liabilities	**216,816**	**211,039**	**5,777**	**3**
Gearing Ratio (%)	57	53	4	
Current Ratio (times)	1.22	1.04	0.17	

In general, the Group had always strived to keep its liabilities at a reasonable level. The Group used its internally generated funds together with credit facilities to finance its operations and settle its payables. The association would determine the Group's gearing level in deploying its working capital.

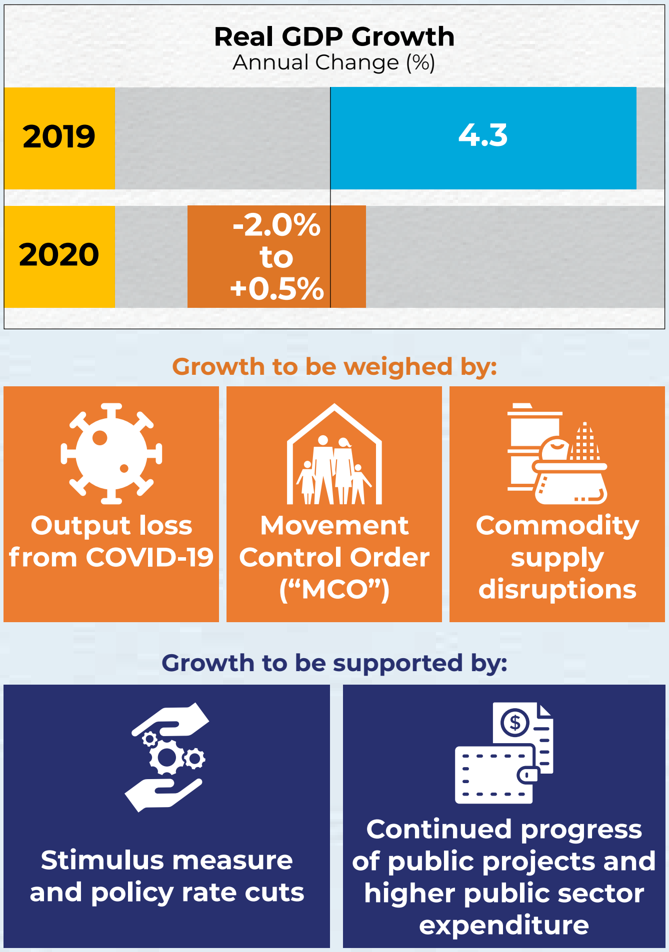
The gearing ratio in 2019 was slightly higher at 57% against 53% in 2018 as the Group further utilised its credit facilities, especially for new projects secured during the year. At this juncture, the Group possesses adequate credit facilities to cater for its operational requirements. The increase in the gearing ratio was cushioned by an improvement in the current ratio from 1.04 times in 2018 to 1.22 times in 2019. As such, the deployment of the working capital was still in a satisfactory position and the Group's financial obligations were still contained below the equity limit.

The lease liability of RM14.4 million was in relation to the adoption of an accounting standard on leases in 2019 as explained in the non-current assets section.

MOVING FORWARD INTO 2020 AND BEYOND

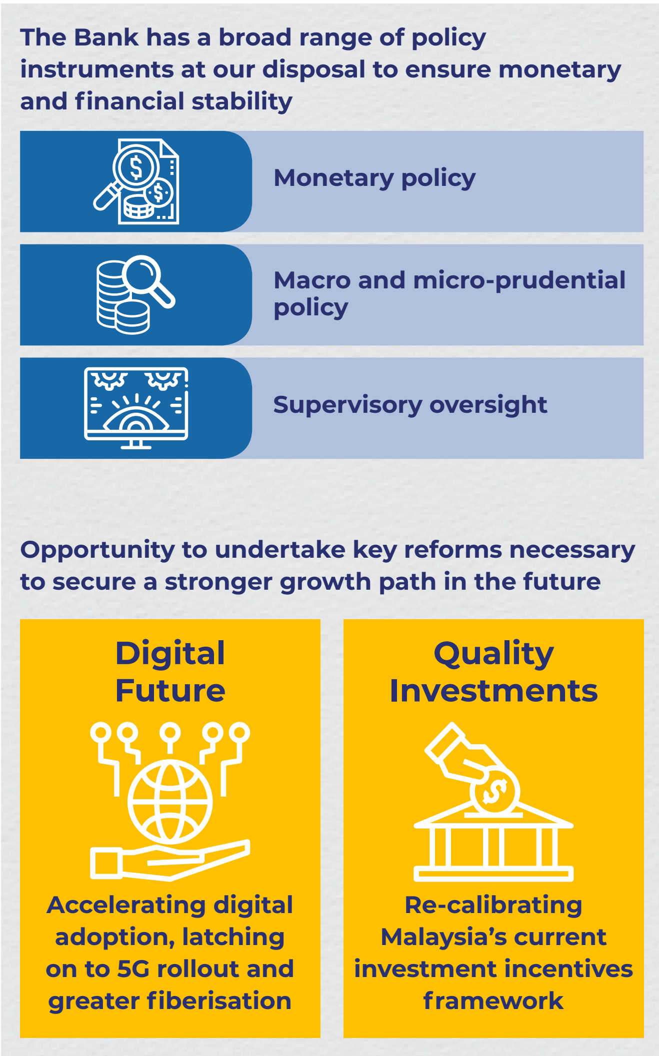
HeiTech entered 2020 with a clear momentum from the contracts secured in 2019 including a 7-year smart parking concession from Majlis Bandaraya Pulau Pinang and Majlis Bandaraya Seberang Prai. Year 2019 also saw our share price soared by 180% in a single year – a testament to the trust of our shareholders in our company despite the adversity we faced at the national and global macroeconomic environment.

Our steady pace in early 2020 was disrupted by the rapid global spread of Covid-19, the weak global economy and the recent change of government. The global economy is expected to contract in 2020, mainly due to measures taken to contain the Covid-19 pandemic and Malaysia will not be spared. Bank Negara Malaysia ("the Bank") has projected for Malaysia's economic growth to be between -2.0% and +0.5% in 2020, as depicted by the infographic from the Bank's Economic and Monetary Review and Financial Stability Review dated 3 April 2020 below.



Source: Bank Negara Malaysia - Economic And Monetary Review & Financial Stability Review 3 April 2020

Notwithstanding the weak projection, the Bank was still positive about Malaysia's ability to weather the economic turmoil. The Bank has cited its broad range of policies comprising monetary, macro and micro-prudential and supervisory oversight as the available instruments to ensure the country's monetary and financial stability. The Bank has also identified an opportunity to undertake key reforms such as the acceleration of digital adoption and recalibration of the nation's investment incentives framework as depicted in the infographic below as the basis for its forecast.



Source: Bank Negara Malaysia - Economic And Monetary Review & Financial Stability Review 3 April 2020

It is anticipated that the growth in Malaysia's information and communication sector will increase in 2020 with the introduction of 5G Services, mainly due to higher usage of broadband services and smart applications, partly accelerated by the global pandemic. Increase in the digitalisation activities of the economy are expected to have a positive impact for the subsector. Furthermore, the broadband service quality has improved relative to its prices, benefitting consumers and boosting growth of the sector. It is also anticipated that key factors like technology, competition, age-demographic of Malaysia's population and politics will play significant role with regards to 2020 outlook on Malaysia technology industry.

Despite the Bank's positive remarks about Malaysia's economic capability, we are still bracing for an uncertain future where we are unsure of the ramifications of Covid-19, such as when the pandemic will end, or will the economy ever get back to normal, or will we have a chance to secure more contracts. But for a company that has survived multiple recessions over the years and tough competition due to well-connected competitors, we can rely on our professionalism, deliverables and creativity that has kept HeiTech relevant up till today to help us remain resilient in the face of these challenges.

As the pandemic rages on, we continue to successfully deliver mission-critical projects to our clients both in the public and private sector. The established focus on the 4th Industrial Revolution's initiatives such as IoT and FinTech will be a key driver of HeiTech's growth through this crisis in 2020 and beyond. This also encompasses both business business-to-business ("B2B") and business-to-consumers ("B2C") segments.

In getting ourselves ready for the next normal, HeiTech will rethink on how we will interact with our clients and reimagine new ways of operations. As we continue to provide cutting edge and customised solutions to our clients, we are also exploring ways on how we can do so remotely and safely.

To our shareholders, we remain committed to creating more success stories in the future, thrusting on technology innovation and what we do best. Barring any unforeseen circumstances, 2020 will be a year to take stock of our current products and services before we leap higher in the years to come.

Sustainability @ HeiTech Padu Berhad

INTRODUCTION

Being sustainable is important to any business strategy and operations. As a global ICT system and technology service provider, sustainability not only derived within the human capital development, technology partner and innovation, but also lays the foundation that strengthen our business continuity and profitability and, in return, we contribute to enriching the communities that we touched.

Scope of Report

The Report has been prepared in line with Bursa Malaysia Main Market Listing Requirements and guided by the Bursa Malaysia Corporate Governance Guide (3rd Edition), and Bursa Malaysia Sustainability Reporting Guide (2nd Edition), where possible. It is supplemented with the Global Reporting Initiative ("GRI") Standards and UN Guiding Principles on Business and Human Rights.

Principle Guideline	**Bursa Malaysia Sustainability Reporting Guide**
Supplementary Guidelines	**Global Reporting Initiative Standards**
	UN Guiding Principles on Business and Human Rights

The scope of this Report encompasses the Group's initiatives and activities that are in line with the sustainability objectives, mission and vision developed and identified in year 2018.

Feedback

The viewpoint and insights presented in this report premise upon the input from various department and companies within the Group. This report has been reviewed and approved by our Management. Any data, activities and performances outside of this scope are not disclosed in this Report.

We value your insights, comments and queries on our sustainability disclosure as well as practices. Any feedback or concerns can be addressed to:

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MESSAGE FROM THE PRESIDENT OF HEITECH PADU BERHAD

Sustainability is a form of discipline that gives organisations insights into the interactions between economic (profits), environmental (planet) and social (people) aspects of business. Sustainability guides organisations in fulfilling the present needs without compromising the ability of future generations to meet their needs. Businesses are required to make decisions for long-term, rather than short-term economic, environmental and social impact and to also consider factors other than just immediate profit or loss. Sometimes, the obligations for sustainability and the needs for economic growth can be viewed as paradoxical since development is inherently unsustainable.

At HeiTech, we recognised sustainability as part of our responsibility as a corporate citizen. We believe that by acting responsibly within the requirements of the law are the foundation of our aim for long term economic success. We pursue good corporate management together with fair and honest business policy.

HeiTech's Group of companies mainly operated within the technology realms with an exception of certain subsidiaries. We offer innovative solutions that promote efficiency and improve productivity to our customers, which in turn promotes sustainable awareness at their end. We constantly strive to reduce waste in energy consumption, paper use and carbon emission in our daily operations. We also provide safe, healthy and conducive working environment to our people.

As for the society, we played our role in giving back to the community through various activities involving different target groups. We believe that a little gesture of kindness will leave an impact that will last for a lifetime.

Before I end, in conjunction with HeiTech's 25th silver jubilee celebration, please allow me to express my deepest appreciation to our valued shareholders and other stakeholders for the confidence and support over the years. To our Board of Directors and Warga HeiTech, I am truly grateful for your dedication and support. The sustainability agenda within HeiTech would not be attained without the unwavering commitment from everyone. This is our pledge for the wellbeing of our company and for the welfare of our future generations.

DATO' SRI MOHD HILMEY BIN MOHD TAIB
President/Executive Deputy Chairman of HeiTech Padu Berhad

Sustainability @ HeiTech Padu Berhad

APPROACH TO SUSTAINABILITY

HeiTech's approach to sustainability remains the same: to remain committed, integrating the economic and social development, and environmental performance into HeiTech's business commitments. We also believe by using our solutions as the medium, where technology and digitisation are fundamentals in the 4IR, we can commit to all 17 of the UN Sustainable Development Goals ("Global Goals") and contribute positively to the UN Global Compact.

Goals & Commitments	**UN Global Compact**
	UN Sustainable Development Goals

Management Approach and Action Plan

Our disclosure and strategy are segmented into Economic, Environmental and Social ("EES") matters where we define nine (9) focus areas:

ECONOMIC

- **Governance, Ethic and Compliance**
- **Supply Chain**
- **Service Quality**
- **Innovation**

ENVIRONMENTAL

- **Environment, Health and Safety**

SOCIAL

- **Customers**
- **Community Support**
- **Employees**
- **Cyber-Security**

The Board is committed to oversight the sustainability and EES criteria into HeiTech's business strategies and operations.

Our sustainability commitments will be revolved around the EES, as follows:

Sustainability Commitments

Responsible Business

HeiTech is committed to uphold ethical business practice beyond legal compliance which includes human rights, anti-corruption, occupational health and safety and responsible sourcing. HeiTech continues to uphold the UN Global Compact principles and the UN Guiding Principles on Business and Human Rights.

ICT for all

HeiTech is committed to deploy solutions and advocates improvements and accessibility. This foundation is the enabler for digital delivery & services to meet societal needs, including education, health, transportation, defence, entrepreneurship and humanitarian response.

Economic, Environmental and Social Impact

HeiTech is committed to continuously improve the environmental performance based on the use of products, reduce the negative impacts of its operations and contribute to environmental benefits resulting from the implementation of technology.

Sustainability Goals

The Ten Principles of the UN Global Compact provide a common ethical and practical framework for operationalising corporate responsibility. These 10 principles highlight four (4) areas: Human Rights, Labour, Environment and Anti-Corruption.

The 17 UN Sustainable Development Goals ("Global Goals") have a business purpose which represents aspirational, long-term targets for business and other stakeholders to work towards creating a sustainable world. Together, the Ten Principles and the Global Goals equip HeiTech with values and vision to complement and pave effective business sustainability and continuity framework to address economic, environmental and social matters.

HUMAN RIGHTS

LABOUR

ENVIRONMENT

ANTI-CORRUPTION

1. Support and respect the protection of internationally proclaimed human rights.
2. Not be complicit in human rights abuses.
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Support the elimination of all forms of forced and compulsory labour.
5. Support the effective abolition of child labour.
6. Support the elimination of discrimination in respect of employment and occupation.
7. Support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.
10. Work against corruption in all its forms, including extortion and bribery.

THE TEN PRINCIPLES

of the United Nations Global Compact

Sustainability @ HeiTech Padu Berhad

STAKEHOLDER ENGAGEMENT

We continue to improve our engagement with valued stakeholder in a variety of channels to promote transparency, trust and better communication and relationship on key topics or issues. Stakeholder engagement has always been our priority in creating values for our sustainable growth. Our method of engagements and values created are as below:

Stakeholder Group	Type of Engagement	Frequency	Values Created
Employees	Internal Satisfaction Survey	Annually	• Upskilling and new knowledge • Company updates • Inclusivity creation • Continuous education and awareness creation • Employee contribution and recognition
	Dialogue with employees – Town Hall	When needed	
	Internal newsletter	Quarterly	
	Employee engagement programmes	Periodic	
	Kelab Kakitangan HeiTech ("KKH")	Periodic	
Customers	Customer Satisfaction Survey	Once every 2 years	• Company performance • Project updates, agreement and resolutions • Incident service level and service availability performance • Action for sustainable continuous improvements • Technology updates • Branding • Quality assurance and performance
	24 hours customer support	24x7	
	Customer engagement programmes	Periodic	
	Meetings and discussions	Scheduled	
	Customer audit	Scheduled	
Shareholders	Annual Report	Annually	• Financial performance • Company business direction & strategy • Business sustainability initiatives • Corporate governance and performance reference • Share price value
	Annual General Meeting	Annually	
	Investor Relation Portal	When needed	
	Financial Report	Quarterly	
Partners/Vendors	Partner engagement programmes	Scheduled	• Monitoring supply chain performance • Service level performance • Company business direction & strategy alignment • Sustainability direction • Strategy alignment • Ethical procurement values & requirements
	Technology updates session	When needed	
	Vendor Satisfaction Survey	Annually	
	Vendor Performance Evaluation	Annually	
	Tender, bidding and quotation	When needed	
	Procurement policy updates	When needed	
Community	Community engagement through social activities with HeiTech Cares volunteers	Periodic	• Sustainable community relationships • Promote brand trust & awareness • Enhance spirit of volunteerism
	Industry visit by University students	When needed	
	Donation and sponsorships	When needed	
Government/ Regulatory Body/ Authority	Audit, meeting and site visit	When needed	• Statutory obligations, regulatory compliance and monitoring • Integrity, trust and quality assurance

COMPANY PROFILE

COMPANY OVERVIEW

Please refer to Corporate Profile & Corporate Information section, from pages 6 to 13 of this Annual Report.

Award and Recognition

For 2019, HeiTech received a total of three (3) awards and recognitions. The summary is as stated below:

Frost and Sullivan Excellence Award 2019:
Malaysia Managed Infrastructure Services Provider of the Year.

Frost and Sullivan Excellence Award 2019:
Malaysia Managed Security Services Provider of the Year.

Asia Pacific CIO Outlook 2019:
Top 10 Managed Service Providers in the APAC Region.

Sustainability @ HeiTech Padu Berhad

Milestones

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

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 Cyber Security Malaysia.
- Clinched the IT Infrastructure Services Competitive Strategy, Innovation and Leadership Award by Frost & Sullivan Malaysia.
- Bagged the APAC CIO Outlook Top 10 IBM Solution Providers 2018.

2019

- Secured 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.
- Secured contract to renew the software license for mainframe systems of Inland Revenue Board ("IRB").
- Secured contract by PERKESO in respect of development and integration of its Scheme Management Application System.
- Secured contract by Majlis Perbandaraya Seberang Perai ("MPSP") and Majlis Bandaraya Pulau Pinang ("MBPP") in respect of Development and Management of Smart Parking System for MPSP and MBPP.
- Secured contract by Bank Simpanan Nasional ("BSN") in respect of Enterprise Storage Upgrade & Technology Refresh.
- Maintained Quality Management System ("QMS") ISO 9001:2015 re-certifications with SIRIM Berhad.
- Entered into a Memorandum of Understanding ("MOU") with University Technology Mara ("UiTM") in supporting the institution's 3U1I (three years in university, one year in industry) initiative for Faculty of Computer and Mathematical Sciences.
- Embarked into certification of ISO 37001:2016 Anti Bribery Management System ("ABMS") in August 2019.
- Signed Joint Venture ("JV") Agreement with PT Kirana Investama Nusantara to establish PT Desa Tech Nusantara, to provide a Shariah Compliance Cooperative Baitumal Wat Tamwil System.

ECONOMIC

GOVERNANCE, ETHICS AND COMPLIANCE

Corporate Governance

HeiTech continues to maintain the highest standards of corporate governance and best practices by adhering to policies and guidelines set by Bursa Malaysia Berhad, Ministry of Finance and Securities Commission Malaysia for effective, prudent management and accountability on business affairs, business sustainability and success to the Company.

As a shariah-compliant Public Listed Company, HeiTech has established an effective control structure to ensure proper conduct of business operations and business continuity. Further details on corporate governance such as Board Charter, Corporate Governance Framework, Board Committee, Nomination & Remuneration Policy, Whistleblowing Policy, and Employee Share Option Scheme & Voluntary Separation Scheme, are reported in the Corporate Governance Overview Statement, Audit Committee Report and Statement on Risk Management and Internal Control on page 89 to 108.

Ethics, Integrity and Professionalism

Our ethical business practice is underpinned by relevant policies, guidelines and systems, which serve as the guide for all levels of employees in HeiTech ("Warga HeiTech"), including the Board of Directors. The policies are set to underline the business and work conduct, integrity and professionalism of Warga HeiTech. This includes the outline of responsibilities to our shareholders, customers, employees, business partners and society, including commitments to business integrity and compliance with applicable laws and regulations to minimize the potential business risk or illegal conduct.

HeiTech applies an anti-corruption practice where we are in the process of having ISO 37001:2016 Anti-Bribery Management System ("ABMS"). We do not condone any act of corruption, bribery, embezzlement, abuse of power and any other illegal, secret or improper payments, gifts, transfers or receipts when dealing with the Government. Our application is based on the Code of Business Conduct to refrain from any behaviour which can be construed as anti-competitive practice.

Policies at HeiTech

- HeiTech Information Technology ("IT") Policy
- Information Security and Privacy Policy
- Whistleblowing Policy and Guidelines
- Employee Guidelines and HR policy
- Delegation and Authority Limit Policy
- Corporate Communications Policy
- Competency Development Policy
- Disciplinary Procedure
- Compensation for Work in Excess of Normal Hours of Work
- Retirement Age & Retirement Benefits Policy
- Employee Promotion Policy & Procedure
- Performance Management & Development Review Policy & Procedures
- Employee Personal Data Protection Policy & Procedures
- Sexual Harassment Policy
- Guidelines and Procedures During Covid-19 Outbreak
- Purchasing Manual
- Occupational Safety and Health ("OSH") Policy
- Anti-Bribery & Corruption Policy
- Code of Business Conduct

Sustainability @ HeiTech Padu Berhad

Standards and Regulatory Compliance

Business compliance, quality management and assurance standards are also equally important for HeiTech to perform business practice and delivery. We also apply continuous risk assessment, monitoring and reviewing the business operations to ensure the business operations meet the customers' expectations on quality, security and on-time service delivery.

Business Continuity

Business continuity is a vital interest in HeiTech. Our business operations are not only deemed sustainable with the assurance of recurring profits but also to ensure the survivability of HeiTech and continuity of core business functions during disaster whilst protecting assets and controlling financial loss.

The use of technology also plays a role to the Company's Business Continuity Plan ("BCP"). HeiTech's BCP Committee is responsible for the implementation of the Business Continuity Management ("BCM") activities within the Group, where it is explained further on page 104 of Statement of Risk Management and Internal Control.

SUPPLY CHAIN

Supplier Management

We apply a sustainable supply chain where we develop and maintain a successful business relationship in order to achieve our business goals. A sustainable supply chain further helps us to improve sustainable business practices that are mutually beneficial in the supplier ecosystem.

We expect our suppliers to also subscribe to the global best practices in product and services quality control, labour management, and environmental implications. Warga HeiTech is certified in various technical skillsets to support the multiple products that we provide to the market. This can only be done with the strong support from our suppliers, vendors and principals.

We conduct a yearly Vendor Satisfaction Survey Assessment ("VSSA") to all suppliers to ensure that our quality of services is satisfactory and to identify areas of improvement. The survey is rated based on Personnel, Services and General competencies. For the year under review, 85 suppliers (encompassing local and foreign) participated in the survey where the overall satisfaction encompassing from these three (3) competencies on HeiTech was 73.2%. We have identified the areas of improvement and will take the necessary action moving forward.

Standards and Certifications

- Quality Management System ("QMS") ISO 9001:2015 certification
- ISO/IEC 27001:2013 Information Security Management System ("ISMS") certification
- ISO/IEC 20000-1:2011 Service Management System ("SMS") certification
- ISO/IEC ISO 22301:2012 Business Continuity Management System ("BCMS") certification
- Payment Card Industry Data Security Standard ("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")

In addition to this, we conduct a quarterly Vendor Evaluation Survey ("VES") on all of our suppliers on their quality of product supplied and services rendered to HeiTech. The evaluation exercise allows us to monitor our vendor's performances and determined areas of improvement in line with the Standard and Industrial Research Institute of Malaysia ("SIRIM") requirements.

Supplier Diversity

HeiTech's Procurement Department follows the Purchasing Manual that subscribes to efficient, fair and transparent procurement practices. The selection of suppliers are based on merit and capabilities. All suppliers in HeiTech will be registered and background check is performed to validate their credibility.

Our suppliers are categorised into four (4) segments: Local Bumiputera, Non-Bumiputera, Foreign and Principal. For the year under review, we have a total of 883 suppliers, broken down as follows:

Category	No. of Supplier/Vendor
Bumiputera	334
Non-Bumi	496
Foreign Company	29
Principal	24
Total	883

Strategic Partners Collaboration

Strategic partnership collaboration not only helps to develop strong distribution channels and widen marketing network in Malaysia and internationally, but also provides sharing the best practices, technology updates and strategies that we often adopt and apply across our value chain services to support our customers' needs.

In addition to this, regular engagements have been conducted for the year under review, as summarised in the table below:

Programmes	Activities
Co-Joint Event and Technology Updates	• Accelerating Digital Transformation Agenda with 5G Technology • CIDB Malaysia Technology Update • DELL EUC Lifecycle Plant Tour Visit • IDC Digital Transformation Summit 2019
Managed Security Services	• FireEye Government Forum 2019
Engagement	• Management Engagement • Sales Get Together • Hari Raya Open House 2019
Business Support	• Teaming Agreement with partners
Quarterly Updates	• Updates to all staff on the progress of partnership

Sustainability @ HeiTech Padu Berhad

SERVICE QUALITY

As one of the leading ICT company in Malaysia, service quality is vital to us to ensure services delivered to customers are in line with our values and principles. Understanding customers' needs is vital for us to create products and solutions that truly speaks to their demands.

We are result driven and it is extremely important that we deliver exceptional service quality to our customers. Our people are encouraged to challenge boundaries by applying industry's best practices, leading edge technologies, as well as operational and technical expertise, to drive further ahead. We are also geared towards managing our resources effectively and boosting productivity levels by ensuring that skills, knowledge and talents are proactively developed.

As part of our effort to ensure outstanding service quality, we have adopted international standard in our project delivery, by maintaining the accreditation from Capability Maturity Model Integration ("CMMI") Institute in the United States, for Capability Maturity Model Integration Development Maturity Level 3. It provides an integrated and holistic approach that allow us to focus on performance improvement areas for application development. By implementing disciplined processes in the organisation, we are able to improve our control over execution of projects and meet the quality levels required.

Our IT projects adopt structured methodologies which includes HeiTech's Project Management Information System ("PROMISE") and Application Development Information System ("ADVISE"). It provides guidance to improve our processes and ability to manage the development, acquisition and maintenance of products and services. Process compliance assessment is being carried out on monthly basis to assess the compliance levels and the necessary actions for improvement.

We are dedicated to progressively improve our service quality by maintaining the accreditation from International Organization for Standardization ("ISO"). The combination of experience and technical certification, such as Information Security Management System ISO 27001:2013, Quality Management System ISO 9001:2015 and Service Management System ISO 20000-1:2011, allow HeiTech to provide high standards of quality that meets the expectations of our customers in terms of service level, availability, data integrity and security. Our Data Centre in HeiTech Village 2 is Tier-IV ready, in accordance with standards from the Telecommunication Industry Association. The experience of operating a Tier-IV ready data centre has enabled us to provide world-class service levels to our customers.

We strive to meet our customers' expectation on the quality of our services. For continuous improvement and as part of our quality commitment, we conduct Customer Satisfaction Survey to gauge the level of satisfaction of our customers with respect to services and overall experience. We have different avenues for customer feedback via email, company website and postal mail.

Collectively, we focus to continue embedding high levels of quality in our services and maintain high standards of convenience and affordability that our valued customer expect from us.

INNOVATION

HeiTech views technological innovations, and the development of new products and services as a priority in delivering outstanding services. The development of innovative technological ideas are crucial to ensure the organization remains as the market leader. We embarked on a journey where the importance of innovation is the critical success factor to ensure our stakeholders gain the best from us. Our focus is to constantly seek new ways to innovate and invent, towards creating value for stakeholders, with convenience and cost effectiveness being the driving factors that guide our innovative efforts.

As companies prepare themselves to improve infrastructure and digital connectivity, we take cognizance of inputs by economic experts when raising their concerns on our Nation's strategic planning. Awareness of environmental challenges with regards to waste disposal and the need to go green swiftly, is definitely impacting entities who will need to heed the call to reduce paper usage.

Electronic Licensing Platform

In adopting technology innovation towards Industry 4.0, our subsidiary company, Pro-Office Solutions ("POSSB") has joined the digital economy bandwagon to create the right business substitution for printing, by embracing the smart city concept. They started by transforming the local councils change the way of interacting with their customers from traditional to electronic platform. They have introduced electronic licensing platform to the local councils as the first digitalisation journey. Whilst they assist these entities to provide improved and efficient services to the public, they also continue developing their internal capabilities and strengthen their presence in the marketplace.

Amongst the 149 local councils in Malaysia, Majlis Perbandaran Selayang ("MPS") and Majlis Perbandaran Seberang Prai ("MPSP") became their first e-licensing subscriber. The electronic licensing platform will allow the local councils to streamline their operation and reduce leakages whilst the users are able to transact with the local councils anywhere and anytime.

Cooperative System

PT Desa Tech Nusantara ("DesaTech") was recently established in Indonesia, focused in providing core cooperative system for the cooperatives in the rural areas in Indonesia. This is a platform to drive domestic economic growth and expedite the development of Islamic financial institutions, especially for Indonesia's rural economy sustainability.

Booking System

DesaTech also developed an application to support the formation of desa-like resort booking system, complete with its necessary ecosystem such as homestay bookings, airport transfer and food ordering. This application will provide the ultimate experience of a full-fledged travel agency at one's fingertips. With approximately 120 million rural population from 74,000 villages, HeiTech is confident that the solution will boost the economy and attract tourist to the untouched places in Indonesia.

Driving Test Transformation

We also explored innovative solutions and technology breakthroughs in utlilizing Global Positioning Systems ("GPS") for driving test transformation. Through HeiTech Next ("HNext"), we have developed Pintar Drive, a solution which automates the manual evaluation and assessment for driving tests.

This product utilizes a real-time kinematic positioning technique of satellite-based positioning system to identify accurate position of test vehicles, contributes to saving time, enables online updates for the test results, and at the same ensuring data integrity and compliance.

In summary, we focus on value creation efforts and constantly forging ahead, by reimagining the broader experience of public needs, providing the best value and innovative fit-for purpose solutions to our customers.

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ENVIRONMENTAL

ENVIRONMENT, HEALTH AND SAFETY

Covid-19 Pandemic

Covid-19 has shocked the world when it began to spread uncontrollably across the globe within short period of time. Millions were infected and hundreds of thousands already fell victims to what has been regarded as the worse health pandemic of the century. In the face of this rapidly spreading Covid-19 pandemic, HeiTech has taken the necessary measures to ensure Warga HeiTech and their families are protected and mitigated from being infected.

Business Continuity Plan

We regarded Warga HeiTech as our biggest asset and as such, their safety and health become the outmost priority. Nevertheless, our responsibility and commitment to our customers have to be prioritised to ensure that our service is uninterrupted. As most of our customers are the essential services agencies and are required to continue serving the nation during the Movement Control Order, we have to balance our commitment towards Warga HeiTech and our customers.

Therefore, we have established Guidelines and Procedures During Covid-19 Outbreak that outlines the preventive and corrective measures to be taken by Warga HeiTech. These guidelines and procedures are in accordance with the guidelines by Ministry of Health and Ministry of International Trade and Industry and have been circulated to all employees.

Among the measures that have been carried out are as follows:

- **Regular cleaning and sanitization of workplace.**
- **Provision of face masks to employees and allocation of hand sanitizers at all office floors.**
- **Temperature check at entry points to workplace for all employees and visitors.**
- **Prohibition of big physical meeting, gathering and event. Meetings are carried out via digital platform, or in a small group.**
- **Implementation of alternate team for onsite operations.**
- **Immediate referral to healthcare services for employees with symptoms and suspected close contact.**

The Occupational, Safety and Health Committee ("OSH Committee") and Corporate Communications Department provide daily updates on Covid-19 and safety alerts to ensure Warga HeiTech are aware on the latest information related to the pandemic.

We have also initiated the Work from Home ("WFH") arrangement during early stage of the pandemic and throughout the Movement Control Order period. Communications were carried out through email, telephone and web conference. In order to be informed on the wellbeing of Warga HeiTech during this period, we developed and launched a work from home web application named D-VocTrac. D-VocTrac enables us to monitor the health condition and productivity of our people. These are important aspects for record keeping and contact tracing purposes in case of any potential infection by our staff.

Contribution to Society

As a responsible corporate citizen, we need to do our part in helping the frontliners combating the pandemic. In meeting this cause, we have contributed an Electronic Medical Record System ("EMRS") for the temporary Covid-19 hospital in Malaysia Agro Exposition Park Serdang worth One Million Ringgit. We had also donated One Hundred Thousand Ringgit to Tabung Barisan Hadapan and Thirty Thousand Ringgit in form of protective personal equipment to the Ministry of Defence.

The Way Forward

Despite the rough economic and social adversities caused by the pandemic, we realized that there is always an opportunity that lies in it. Many consulting firms were pitching for gloomy and downward economic trend worldwide. Most of the advises given were for businesses to stay resilient by devising sounds strategies moving forward. Most of these reports were also suggesting for information technology and online transactions to be given a strong consideration by businesses in devising their strategies. This is in line with an obvious change in behaviour following the pandemic, where society is forced to embrace new normal in order to deal with the current situations. This has created an increasing demand towards information technology, online transactions and logistic.

For HeiTech itself, by already being in the IT industry can be regarded as a silver lining amidst the viciousness of current economic situation. We are regarded as the essential service or enabler to other essential service providers as our customers are mostly government agencies, financial institutions and major retailers. Apart from that, we believe that HeiTech will be adapting to the new normal by tapping on the demand for cheaper, simpler and reliable online solutions from lower end commercial sector, public sector and mass market via our readily available business outfit.

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Occupational Safety and Health ("OSH")

We acknowledged our responsibility to provide a safe working environment to Warga HeiTech and the stakeholders that we engaged. We also expect Warga HeiTech to take effort to act in accordance to safe working practices, legislative requirements, HeiTech policies, and use all means to protect their health and safety at the workplace.

During the year under review, we have implemented various Occupational Safety and Health ("OSH") programs to create awareness among Warga HeiTech. The OSH activities are listed as follows:

Categories of OSH Engagement	2019	2018	2017	2016
OSH Meeting	**2**	4	3	3
OSH Circular	**3**	4	4	6
Safety Knowledge Sharing / Awareness Talk	**3**	1	3	4

We have established Occupational Safety and Health Policy ("OSH Policy"), to be referred and adhered by Warga HeiTech. The OSH Committee act as the implementer of the policy supported by the Safety and Health Officer.

The OSH Policy adheres to the Occupational Safety and Health Act 1994 and is set to be reviewed yearly and to be amended when needed. The OSH Committee consist of Chairman, Deputy Chairman, Secretariat and members from different departments and business division. The OSH Committee also conducts scheduled building inspection to check the wear and tear of interior and exterior building premises, including plumbing, electrical and heating/cooling equipment in HeiTech's premise.

Safety and Health Performance

Computers and portable devices are an essential working tool in HeiTech. The most common injuries in the ICT industry are slip disc and carpal tunnel, which is commonly due to long hours of sitting or being in a static position. Due to this, we encouraged Warga HeiTech, via our health and safety campaigns, to perform light exercises to avoid these kinds of injuries.

For the year under review, our health and safety incident for the two (2) mentioned injuries is recorded as below:

Year	Average Total Staff*	Carpal Tunnel	%	Slipped Disk	%
2019	**991**	**3**	**0.30**	**4**	**0.40**
2018	924	0	0.00	5	0.54
2017	902	3	0.33	4	0.44
2016	897	1	0.11	4	0.45

** The number of staff represents the Company not the Group*

Although the slipped disk injury reduced to 1 case, but the carpal tunnel injury have increased triple compared to previous year. In light to this of incidents, the OSH Committee, together with Human Resource Department are mitigating future occurrence by increasing health engagement programmes to ensure Warga HeiTech values the importance of their health as well as their safety when working.

We will continue to advocate our health and safety guidelines whilst conducting wear and tear assessment on equipment, fixtures and fittings, and the ergonomic workstation design.

Paperless Office Transformation

We are committed to reducing the use of paper by adopting the usage of IoT, portable devices and digitalisation on daily basis.

We have digitalised our meeting process since 2014. Our Board of Directors will no longer be provided with physical paper during meetings. In addition, meeting materials for internal meeting including Executive Council meeting, Procurement Committee meeting and Central Review Committee meeting are circulated via email.

However, in complying with the business requirements, we still require the usage of paper especially in printing proposals and submission of tenders. Nevertheless, we encouraged paperless initiatives with customers, as part of the efforts to reduce paper usage.

Tabulated below is our 5-year A4 paper usage. Paper usage will qualify as our Scope 3 emissions following the GRI Standards and the Greenhouse Gas Protocol ("GHG").

Year	A4 Paper Usage (by reams)	A4 Paper Usage Per Average Employee (by reams)*	Variance of Paper Usage	Carbon Emission from A4 Paper (MT CO_2-eq)	Solid Waste (MT)
2019	**3,460**	**3.49**	**-17.30%**	**70.31**	**4.63**
2018	3,900	4.22	-22.00%	88.00	5.76
2017	5,000	5.48	316.67%	106.14	6.94
2016	1,200	1.38	33.04%	24.45	1.60
2015	902	0.98	-	18.33	1.20

** Usage by Warga HeiTech in HeiTech Village*

From the above table, there is negative variance for the usage of paper compared to the previous years due to our continuous effort to reduce the usage of paper both for internal and external purpose. Furthermore, some of the tender submissions are now made online. This has significantly reduced the overall usage of paper for the Company.

The carbon emission and solid waste from papers calculation are based on the Paper Calculator available at c.environmentalpaper.org.

Sustainability @ HeiTech Padu Berhad

Recycle and Waste Management

Proper waste disposal is utmost importance for the environment as well as general public health. Waste segregation is important to protect the environment by reducing waste going to landfill. Furthermore, hazardous waste can cause long term health problem. As such, we practice waste segregation and conduct a proper waste disposal for our daily collected waste. We separated our waste into four (4) types of categories:

General Waste | **Recyclable Waste (plastic, aluminum, etc)** | **Paper Waste** | **E-Waste**

All of our waste are being disposed in different method, as follows:

- General waste

  General waste includes all waste that cannot be recycled easily. Our general waste are collected by Alam Flora based on its pre-fix scheduled.

- Recyclable waste

  Amongst the common recyclable waste are paper, plastic and PET bottle. Below are the total recycle waste in 2019:

Recycle Waste	
Paper	**189 kg**
Plastic	**10.5 kg**
Polyethylene Terephthalate ("PET") Bottle	**16.5 kg**

- Paper waste

  We treated our documented paper separately from other types of paper. Often printed paper documents may reveal certain confidential information. As such, we shredded all unwanted documents with sensitive information before it is collected for disposal. Inter-City MPC Sdn. Bhd, our subsidiary company, provides on-site mobile shredder for document destruction. The shredded papers are then collected for further proper disposal.

- E- waste

  HeiTech's e-waste includes any end of life devices and IT equipment that are deemed for disposal. The e-waste that is deemed old is disposed via proper Green IT disposal procedure.

Water and Electricity

The prudent use of water and electricity commodity are vital for socio-economic development and business continuity. HeiTech continuously put effort to optimise the water and electricity usage at workplace, by discouraging, where possible, wasteful practices.

Water

The water we consumed is obtained from the municipal water supply. The record below shows a 5-year water consumption at HeiTech Village 2 and HeiTech Village building:

Year	Water Consumption (m^3) at HeiTech Village 2
2019	**47,084**
2018	41,084
2017	32,751
2016	31,837
2015	17,808

Note: All records are of the use at HeiTech Village 2 building (including data centre) and employees working in that location

Year	Water Consumption (m^3) at HeiTech Village
2019*	**0**
2018	27,464
2017	28,524
2016	30,117
2015	28,986

* *HeiTech no longer manage HeiTech Village in Subang Jaya commencing 2019. There is no data for water consumption in 2019 as there is no separate water meter for the floors that we occupied*

Our water consumption has increased due to an increased in the number of employees. HeiTech is committed to reduce over consumption of water in the future. We constantly look for initiative to efficiently reduce the water consumption.

Electricity

As a Technology company, HeiTech follows a business continuity policy and disaster recovery best practices in our power supply setup and consumption. We practiced energy conservation at the workplace such as:

- Initiate active power management on computers and portal devices (standby/hibernate when inactive);
- Conserve by turning off computers, charging docks, lighting and cooling systems when not in use;
- Make use of natural lighting, automated energy-efficient office and Energy Star certified equipment and cooling system;
- Leverage on cloud for digital storage and relocating data in cloud services;
- Implement server optimisation and management, and convert existing physical servers to virtual servers; and
- Replace conventional lighting to energy-saving lighting;

Our electricity consumption will also qualify as our Scope 2 emission following the GRI Standards and the Greenhouse Gas Protocol ("GHG"). Below is our record of 5-years electricity consumption use and carbon emissions in metric tons of carbon dioxide equivalent ("MT CO_2-eq").

Year	Electricity Consumption (kWh) at HeiTech Village 2	Carbon Emission from Electricity Consumption (MT CO_2-eq)
2019	**9,263,402**	**6,428.80**
2018	9,322,773	6,470.00
2017	10,029,874	6,960.73
2016	9,515,500	6,603.76
2015	8,982,715	6,234.01

Note: All records are of the use at HeiTech Village 2 building (including data centre) and employees working in that location

Year	Electricity Consumption (kWh) at HeiTech Village	Carbon Emission from Electricity Consumption (MT CO_2-eq)
2019*	**332,590**	**230.82**
2018	2,507,759	1,740.38
2017	2,800,561	1,943.60
2016	2,780,400	1,929.60
2015	2,857,049	1,982.79

* *Starting 2019, we are no longer managed HeiTech Village building. Therefore, the consumption is measured within the space we occupied, 77,302 sq. ft.*

We are still putting efforts to efficiently reduce the electricity consumption in our premises. We hope this will show some improvement in the years to come, with our continuous effort in reducing the electricity consumption.

We use carbon emission calculator which is available at www.greentechmalaysia.my

Sustainability @ HeiTech Padu Berhad

SOCIAL

CUSTOMERS

Customers are our key stakeholder. We are committed to bringing the best value-added services based on integrity, respect and fairness and provide the best possible solutions to our customers. We continue to demonstrate our commitment by maintaining high customer service satisfaction, on-time delivery, better customer experience and provide continuous knowledge sharing and expertise with customers so that they can add sustainable value to their supply chain.

Customer Care Centre ("CCC")

At HeiTech, we follow procedures and protocols to handle enquiries, complaints and project incidents. Our 24-hour call centre, operated by professional helpdesk employees, logs all enquiries/complaints/incidents systematically, so that all inputs are tracked, escalated and responded in our system within the turnaround time stated in our Customer Care Centre Operating Procedure until the issue is resolved and closed.

General enquiries and complaints will be responded within three (3) working days. As for project or support and maintenance incidents, it will be attended and rectify as per the Service Level Agreement. The customers will be provided with incident report once the issue is resolved to summarise the incidents.

Every genuine enquiry/complaint/incident is treated with importance and kept within the boundaries of our information security and privacy policy as well as complying with the Personal Data Protection Act 2012 ("PDPA").

Information Security and Privacy Policy

We take information security and customer data privacy matters seriously. HeiTech is in full compliance with the legal principles under the Personal Data Protection Act 2012 ("PDPA"). We are exercising an Employee Personal Data Protection Policy & Procedures to protect our data and customers' data against data breach, hacking and manipulation under our Information Security and Privacy Policy. Our suppliers are also legally bound through Non-Disclosure Agreements and upholds the principles of PDPA.

All our efforts to provide the secured data services to our customers were paid off through the recognition of HMS Secure-X Managed Security Services by Cyber Security Malaysia for Cyber Security Innovation of the Year in 2018.

Customer Satisfaction Survey

Customer satisfaction is an integral part of business sustainability and continuity. We are committed to conduct Customer Satisfaction Survey once every 2 years. The survey not only satisfies contractual requirement with our customers but also assist in uncovering any insights or shortfalls which require immediate action for improvement.

Customer Engagement Events

Among the significant events conducted with customers in 2019 are as follows:

Month	Activity	Description
Mar	**Langkawi International Maritime & Aerospace Exhibition ("LIMA") 2019**	HeiTech participated in LIMA 2019, a national event organised by Ministry of Defence from 26 to 30 March 2019 at Langkawi, Kedah Darul Aman. HeiTech's booth was visited by Tun Dr Mahathir Mohamad (7th Prime Minister), Chief of Airforce, Chief of Army, delegation from Australian Trade Commissioner, exhibitors and visitors from both local and international defence and automotive agencies. During the five (5) days event, HeiTech had showcased Simulated Interactive Maintenance Aids ("SIMA") and Virtual Reality ("VR") training system. HeiTech also showcased two other solutions, Asset Readiness Management and Monitoring System ("ARMMS") and the Integrated Training & Tactical Command Control System ("ITTACS") during the event.
Apr	**Minggu Saham Amanah Malaysia ("MSAM") 2019**	HeiTech participated in MSAM 2019 organised by Permodalan Nasional Berhad ("PNB") from 19 to 25 April 2019 at Sungai Petani, Kedah Darul Aman. HeiTech unveiled its virtual booths in MSAM 2019 which signifies our commitment towards digitization and in line with our new mission 'Touching lives with innovative solutions'. Spanning a total of seven (7) days, MSAM 2019 received more than 200,000 visitors through its doors.
Jun	**Hari Raya Open House**	HeiTech organised an annual Hari Raya Open House for partners, customers and supplier as a sign of appreciation for their commitment and support towards HeiTech.

Sustainability @ HeiTech Padu Berhad

EMPLOYEES

Our employees ("Warga HeiTech") are our backbone to the Company as they contribute to HeiTech's growth, sustainability and success. We are committed to creating a respectful, diverse, inclusive and collaborative work culture as well as safe and healthy working environment to ensure Warga HeiTech can achieve excellence in productivity as well as values.

Diversity & Inclusivity

Warga HeiTech is multi-racial and multi-talented, from different cultures, religion, ethnicity, education, socio-economic background, sexual orientation, citizenship status, marital status, organisation affiliations, mental and physical conditions, gender, and age. We practiced open communication, respect religious practices during working hours and allow Warga HeiTech freedom of association with any organisation as per applicable laws. We also applied no child and young workers labour policy, and no forced labour policy. We ensured Warga HeiTech's human rights are protected and comply with the government's regulations.

We believe that a diverse and inclusive workforce promotes an open-mind and creative organisational culture. In addition to this, a diverse Warga HeiTech can provide competitive advantage for business ventures at international and regional markets.

Demographic

Below are the demographics of Warga HeiTech up until 31 December 2019. The number of staff in the table below represented by the Company, not the Group.

Age Group

Age Group	2019		2018		2017		2016	
	Data	%	Data	%	Data	%	Data	%
< 20	-	-	1	0.11%	-	-	-	-
20-29	307	30.98%	262	28.35%	88	9.65%	65	7.25%
30-39	302	30.47%	307	33.23%	304	33.33%	298	33.22%
40-49	235	23.71%	226	24.46%	278	30.50%	311	34.70%
50-59	138	13.93%	126	13.63%	207	22.70%	192	21.40%
≥ 60	9	0.91%	2	0.22%	35	4.00%	31	3.45%
Total	991	100%	924	100%	912	100%	897	100%

Gender

Gender	2019		2018		2017		2016	
	Data	%	Data	%	Data	%	Data	%
Male	596	60.14%	564	61.00%	569	62.39%	566	63.10%
Female	395	39.86%	360	39.00%	343	37.61%	331	36.90%
Total	991	100%	924	100%	912	100%	897	100%

Turnover Rate by Gender

Gender	2019	2018	2017	2016
	%	%	%	%
Male	12.14%	8.83%	8.84%	9.20%
Female	15.47%	6.32%	5.53%	4.88%
Total	27.61%	15.15%	14.37%	14.08%

Ethnic

Gender	2019		2018		2017		2016	
	Data	%	Data	%	Data	%	Data	%
Malay	**965**	**97.38%**	899	97.29%	878	96.27%	863	96.21%
Chinese	**6**	**0.61%**	7	0.76%	12	1.32%	12	1.34%
Indian	**9**	**0.91%**	7	0.76%	7	0.77%	10	1.11%
Other Bumiputera Ethnic	**7**	**0.71%**	7	0.76%	8	0.88%	8	0.89%
Sabah Native	**1**	**0.10%**	1	0.11%	3	0.33%	3	0.33%
Sarawak Native	**2**	**0.20%**	2	0.22%	2	0.22%	-	-
Pakistani	**-**	**-**	-	-	1	0.11%	1	0.11%
Iranian	**1**	**0.10%**	1	0.11%	1	0.11%	-	-
Total	**991**	**100%**	**924**	**100%**	**912**	**100%**	**897**	**100%**

Gender Diversity of Management

Gender	2019	2018	2017	2016
Top Management				
Male	**4**	4	2	2
Female	**3**	3	1	1
Board of Directors				
Male	**7**	7	6	7
Female	**2**	2	2	1

Education Level

Education Level	Headcount
Diploma and below	**383**
Bachelor Degree	**566**
Masters and PhD	**38**
Professional Qualification	**4**
Total	**991**

Employment Category

Employment Status	Headcount
Permanent	**531**
Contract	**460**
Total	**991**

Talent Management

As an equal opportunity organisation who practice diversity and inclusivity, we aim to be an employer of choice for our people and those who wish to be part of HeiTech. HeiTech is committed to attract and recruit diverse talent. We practiced a non-discriminatory hiring policy and hire based on capability and expertise.

Career Growth and Talent Development

Providing valuable career development opportunities not only improves employee engagement and productivity but more importantly, allows us to retain top talents. We further encouraged Warga HeiTech to drive their career development and always hunger to learn new skills and acquire new knowledge.

The career growth and succession planning at HeiTech are based on business requirement and readiness of Warga HeiTech to take bigger responsibilities at a higher job grade. Our talent acquisition gives priority and opportunity to Warga HeiTech who are high performers and demonstrate their potential by meeting the key requirements of an upgraded/ promoted job level. All career advancement are guided by HeiTech Career Ladder which helps Warga HeiTech to plan and chart their career growth in the Company.

The training and development programs that we provide include skill-specific or technical competencies; soft skill training, including coaching, leadership training; and knowledge sharing sessions. For the year under review, we invested RM713,102 for in-house and external training and development programmes for Warga HeiTech.

The summary of training conducted for the year under review are as follows:

CATEGORIES	TRAINING
Leadership	HeiTech Binary 1.0 : Coaching As A Leader (Follow-Up Session)
	HeiTech Binary 1.0 : Group Coaching Session
Functional (Only listed a few. Total training is 22)	Labour Laws In Malaysia
	Customer Service Training
	APMG ISO/IEC 20000 Foundation Training
	Basic Occupational Fire Fighting
	Basic Occupational First Aid, CPR & AED
Technical (Only listed a few. Total training is 34)	Advanced SQL Programming
	Analysis Tools
	Basic Desktop Troubleshooting
	DevOps with GitLab Workshop
	Java Script Best Practices

We are investing in our people to be certified with specific technical skillsets to support multiple products that we provide to the market. In total, we have 115 certified staff, from various certifications, as depicted below:

CERTIFICATION
AWS Certified Solutions Architect: Architecting on AWS
Certified Data Centre Facilities Operations Manager (“CDFOM”)
Certified Data Centre Professional (“CDCP”)
Certified Information Security Manager (“CISM”)
Certified Job Analysis Specialist
Cisco Certified Network Associate (“CCNA”) Routing and Switching
Cisco Certified Network Professional (“CCNP”) Routing and Switching
CompTIA Security+
CQI and IRCA Certified ISO/IEC 27001:2013 Lead Auditor Training
IASA Architecture Core CITA-F Certification
IREB Certified Professional for Requirements Engineering (“CPRE”) - Foundation Level
ISO 22301:2012 BCMS - Lead Implementer Training
MCSA: Windows Server 2016
MikroTik Certified Network Associates (“MTCNA”)
Project Management Professional (“PMP”)
Red Hat Certified System Administrator (“RH199”)
Red Hat Enterprise Linux System Administration II + RHCSA Exam
Safety & Health Officer (Modular)

In addition to training, our talent development includes employee recognition and reward system for staff retention and yearly performance appraisal. We thrived to ensure that we are competitive in the market and nurture Warga HeiTech to retain the best interest or talent within us.

Sustainability @ HeiTech Padu Berhad

Employee Engagement

We proactively drive employee engagement through the following identified methods within HeiTech as below:

- Employee alignment to HeiTech's Vision, Mission and Core Values and its association to HeiTech;
- Inculcating trust and integrity of the Board of Directors and Senior Management leading HeiTech to success and sustainability;
- Inculcating mutual respect, cooperation and teamwork amongst Warga HeiTech at all levels;
- Emphasising employee development and the desire to ascertain skills and knowledge enhancement for a performance-driven organisation, and;
- Respecting employees' human rights including the rights to lodge incidents of grievance, sexual harassment and whistleblowing, freedom of association and rights to benefits and compensations.

HeiTech's Internal Satisfaction Survey ("ISS") is conducted annually to review Warga HeiTech's level of satisfaction on the support and services of the Corporate Office and the Group. This survey also allows HeiTech to review the effectiveness of engagement for the year under review. Warga HeiTech responded with an overall average of 93.0% satisfaction level for the year 2019. The Group hopes to increase the level of satisfaction in the future to come.

Grievance, Sexual Harassment and Whistleblowing

We stand firm on maintaining a healthy workplace environment which is free from harassment in any form. We also encouraged report of any improper or illegal act on business affair by Warga HeiTech. As such, the Sexual Harassment policy and Whistleblowing policy had been implemented, enforced and communicated to Warga HeiTech. All reports and complaints lodge are treated with strict confidentiality as stipulated in the policy.

Work-Life Balance

We advocated a good work-life balance, whilst creating a conducive workplace to improve morale and productivity. The working hours for Warga HeiTech is in accordance to Labour Law. Committed to keeping the employees' work-life balance, we allowed flexible working hours to accommodate specific needs as addressed within our Employee Handbook. We also provide Mum's Room for the convenience of breastfeeding mothers.

To increase staff's morale as well as getting to know the rest of Warga HeiTech, HeiTech regularly organised social employee engagement activities which include sports and recreational programmes, motivational and religious talks, family programmes, volunteerism as well as social gathering.

Social Warga HeiTech engagement includes:

- Health Day Programme
- Blood Donation Drive
- Weekly Zumba Class
- Activities organized by Kelab Kakitangan HeiTech:
  - Movie Outing
  - Fruit Fiesta
  - Tazkirah Ramadhan
  - Mini Carnival
  - Health & Safety Talk

COMMUNITY SUPPORT

HeiTech's approach to Corporate Social Responsibility ("CSR") initiatives is by creating values through sustainability initiatives. Our focus apply beyond improving our reputation in addressing the challenges in our society. Our strategy is to raise the employability of individuals through education and social development, the quality of life and living standards.

HeiTech Cares

HeiTech Cares aimed to promote work-life balance and instil compassion through volunteerism amongst Warga HeiTech. HeiTech Cares' objectives were to promote volunteerism and enhance the community's living standards and quality of life. Since 2015, more than 2,500 beneficiaries have benefited from HeiTech Cares efforts, which include students, schools, NGOs, orphanage and other under-served groups. HeiTech Cares allocates RM20,000.00 yearly to conduct the activities. These are some HeiTech Cares activities in 2019:

Month	Activity	Description
May	**Bubur Lambuk Ramadhan**	HeiTech Cares distributed 1,000 pax of packed bubur lambuk to Warga HeiTech in conjunction with the Ramadhan month.
May	**"Syoknya Raya Bersama Anak-Anak Rumah Nursakinah"**	HeiTech Cares and Kelab Kakitangan HeiTech organised this event where 38 volunteers honoured 35 orphanages and the less fortunate kids aged between 4 to 6 years old to a paid shopping trip, in preparation for Eid Celebration.
Sep	**Preserve Our Wildlife Program**	30 HeiTech Cares volunteers spent time at Kuala Gandah Elephant Conservation Centre in Lanchang Pahang to assist on the conservation's operational daily activities such as cleaning the river and the elephant cages, feeding the baby elephants and preparing food for the adult elephants.

Collaboration with Universiti Teknologi Mara ("UiTM")

HeiTech entered into a Memorandum of Understanding ("MOU") with UiTM in supporting their institution's 3U1I (three years in university, one year in industry) initiative for the Faculty of Computer and Mathematical Sciences. This work-based learning is a program that aims to boost students' learning experience on industry knowledge combined with classroom learning. The one (1) year industrial exposure will enable students immersing themselves into the reality of ICT industry, making their learning experience relevant and increase the graduates' employability.

Collaboration with IBM and Universiti Malaysia Pahang ("UMP")

HeiTech, Universiti Malaysia Pahang ("UMP") and IBM have collaborated since 2010 under the "IBM-UMP-HeiTech System z Academic Initiative", an elective curriculum to develop specialist for IBM System z and Mainframe Technology experts.

UMP students will have the opportunity to access the z-System infrastructure at HTV2 Data Centre remotely and have actual experience in operating and managing the z-OS system and other infrastructure mainframe technology in a real data centre environment. Additionally, HeiTech and IBM sets an annual Industrial Talk and Knowledge Sharing session with students on career insight on mainframes and mainframes services and the opportunity to join as an intern at HeiTech through the Internship Programme.

Sustainability @ HeiTech Padu Berhad

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

Category	2019	2018	2017	2016	2015	2014	2013	2012	2011
Trainee	**2**	5	3	11	5	8	3	27	6
Employed	**0**	0	8	0	2	0	0	5	5

For the year under review, HeiTech was honoured by UMP, with recognition on our contribution towards the university during UMP's 14th Convocation that was graced by the Chancellor, His Royal Highness Seri Paduka Baginda Yang di-Pertuan Agong Al-Sultan Abdullah Ri'ayatuddin Al-Mustafa Billah Shah Ibni Almarhum Sultan Haji Ahmad Shah A-Musta'in Billah. Our Chairman of the Board, YBhg. Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor was appointed as the Pro-Chancellor of University Malaysia Pahang.

In addition, our President/Executive Deputy Chairman of HeiTech Padu Berhad, YBhg. Dato' Sri Mohd Hilmey Bin Mohd Taib was conferred Honorary Doctorate Degree of Philosophy in Information Technology by UMP. The award was given to recognise his stature, contribution and leadership in organisational transformation, technology and innovation, and development especially to the university through his inputs over the years.

Youth and Educational Development

HeiTech 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. HeiTech's involvement in youth and educational development continues through student industry field trips, school adoption and scholarships programmes.

For the year under review, HeiTech has engaged with Sekolah Kebangsaan Kertau Pahang for Adoption School & Scholarship Programme. The objective of this programme is to improve the educational standard of student from the underserved and rural communities by providing them the opportunity to excel in their education. HeiTech allocated more than RM20,000 for this programme.

Additionally, HeiTech welcomed two (2) educational visits from universities: Universiti Kuala Lumpur ("UniKL") and Universiti Technology Mara ("UiTM") Jasin Melaka. The main objective was to share our knowledge and experience on the area of IT including industry trends, technology advancement and career path. A total of 100 students benefited from the visit for their future education and careers.

HeiTech Venture Builder Programme

HeiTech Venture Builder Programme continues to support the growth of technoprenuers start-up companies in Malaysia. The programme supports start-ups that produce innovative solutions in the areas of financial, security, education and health, especially those embarking into new technology such as artificial intelligence, data analytics and blockchain. HeiTech offers access to its resources and infrastructure, giving the technoprenuers a helping hand in developing, implementing and marketing their solutions.

Under the year of review, HeiTech has adopted technoprenuers into this programme which came from financial and tourism industries.

CYBER-SECURITY

Computer virus infections do not just happen. They spread from machine to machine and exploiting known security vulnerabilities. The malwares steal confidential information such as personal information, passwords and payment details of the users. It will also use the computer to replicate the virus and infecting other machines on the network, or those of within the users' contact.

Recently, many countries around the globe have reportedly being the victim of cyberattacks. The cyberattacks leads to breach of data, disruption of service and subsequent financial loss. Significant number of government agencies as well as private enterprises were affected. Beyond tangible losses to these entities, the resulting public outcry and fallout has caused damage to brand reputation and credibility. In HeiTech, we recognised the importance of having effective and meaningful privacy protection. We continuously adopt a stance of pro-active vigilance to prevent any cyberattacks which can lead to breach of data and any other untoward incidents.

We aim to instil digital trust and confidence in our customer through robust privacy and information security policies, frameworks and IT management. We maintain a high standard of IT control and compliance. Beyond establishing a clear information and communication technology security policy, we have also obtained certification on Payment Card Industry Data Security Standard ("PCI DSS") since 2017, a proprietary information security standard for organizations that handle credit cards from the major card issuers.

In addition, to provide further disclosure on our cybersecurity efforts, the following activities were undertaken to protect data, ensure business continuity and ensure that there are no unexpected downtime of services:

- Existence of robust standard operating procedures and enforceable regulations for the use of corporate systems, confidential data, email, mobile devices and passwords.
- Encryption of data transmitted through our network, via latest encryption technologies to maintain security and confidentiality.
- Restriction on the usage of external hardware appliances and other media within HeiTech's premises.
- Restriction on certain websites and social media portals with high risks in cyber security to avoid malicious attacks via the exploitation of vulnerabilities.
- Deployment of firewalls, antivirus and antimalware systems, access management systems and vulnerability assessment systems throughout the entire IT infrastructure.
- Conducted regular trainings to employees, to ensure high level of awareness on the security standards which we need to adhere to.
- Conducted regular penetration tests and audit activities, to ensure the robustness of the entire IT infrastructure.
- Conducted backups of data and disaster recovery tests at planned interval.

HeiTech continuously invest in its security systems, in the effort to defend itself against cyberattacks and to ensure that operations are always on track, and services are delivered without disruption. Throughout 2019, our compliance to IT security best practices such as MS ISO 27001:2013 - Information Security Management Systems and implementation of IT security controls have allowed us to manage and contain cyber-attacks and remain operational 24 hours a day, 7 days a week and 365 days a year.

Profile of Directors

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

CHAIRMAN OF HEITECH PADU BERHAD
Member of Audit Committee
Member of Employee Share Option Scheme ("ESOS") Committee

Appointed on 17 October 2006

Nationality	Age	Gender	Meetings Attended
Malaysian	71	Male	10/10

QUALIFICATION

- **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 (Hon) 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 MCT Berhad and Pro Chancellor of Universiti Malaysia Pahang ("UMP").

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.

DATO' SRI MOHD HILMEY BIN MOHD TAIB

PRESIDENT/EXECUTIVE DEPUTY CHAIRMAN
Chairman of Voluntary Separation Scheme ("VSS") Committee

Appointed on 5 August 1994

Nationality	Age	Gender	Meetings Attended
Malaysian	67	Male	10/10

QUALIFICATION

- **Bachelor of Economics (Hons) in Accounting from University of Malaya, Malaysia**
- **Master in Business Administration, Cranfield Institute of Technology, United Kingdom**
- **Master of Science in Management & Strategic Entrepreneurship, Nottingham Trent University, United Kingdom**
- **PhD (Hons) in Information Technology, Universiti Malaysia Pahang, Malaysia**
- **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 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
Chairman of Audit Committee
Chairman of Nomination and Remuneration Committee
Chairman of Employee Share Option Scheme ("ESOS") Committee
Member of Voluntary Separation Scheme ("VSS") Committee

Appointed on 8 March 2005

Nationality	Age	Gender	Meetings Attended
Malaysian	73	Male	10/10

QUALIFICATION

- **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 experiences 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
Chairman of Risk Management Committee

Appointed on 7 October 2005

Nationality	Age	Gender	Meetings Attended
Malaysian	75	Male	7/10

QUALIFICATION

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

Appointed on 30 July 2013

Nationality	Age	Gender	Meetings Attended
Malaysian	70	Male	9/10

QUALIFICATION

- **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

Member of Audit Committee

Appointed on 6 August 2013

Nationality	Age	Gender	Meetings Attended
Malaysian	65	Female	10/10

QUALIFICATION

- **Bachelor of Accounting (Hons) , University of Malaya, Malaysia**
- **Master of Commerce, University of New South Wales, Australia**
- **Diploma in Islamic Studies, International Islamic University Malaysia**
- **Member of Malaysian Institute of Accountants ("MIA")**

Wan Ainol Zilan joined Permodalan Nasional Berhad as a System Accountant and her last position was as the Head of Finance and Administration. She then joined Cycle & Carriage Group of Companies as the Group Internal Auditor covering four listed companies in Malaysia and Singapore and its subsidiaries. Prior to joining PNB, she was with Price Waterhouse (now known as PriceWaterhouseCoopers-PwC). She is a life member of Pertubuhan Perkumpulan Perempuan Negeri Perlis (commonly known as W.I-Perlis)

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

Profile of Directors

DATUK MOHD RADZIF BIN MOHD YUNUS

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
Member of Nomination and Remuneration Committee
Member of Risk Management Committee

Appointed on 21 September 2018

Nationality	Age	Gender	Meetings Attended
Malaysian	62	Male	9/10

QUALIFICATION

- **Bachelors in Applied Science Property Resource Management with Finance, University of South Australia**
- **Diploma in Land Survey, University Technology Malaysia**
- **Registered Valuer, Real Estate and Property Management 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 in 1985 and served in various management roles from Manager to Assistant General Manager. Datuk Mohd Radzif was also previously Chief Executive Officer of TH Properties Sdn Bhd, TH NSTC Sdn Bhd and Shapadu Properties Sdn Bhd between 1988 to 2003. In 2003, he was appointed as the Chief Executive Officer of Institut Jantung Negara Sdn Bhd ("IJN") and as the Group Managing Director of IJN Holdings Sdn Bhd. Datuk Mohd Radzif left IJN to join SME Development Bank as Managing Director before retiring from his last position as Group Managing Director of SME Bank in 2017. His diversified experiences came from his involvement in different industries such as construction, real estate development, project management, highway concession, healthcare, development banking and entrepreneur development.

Datuk Mohd Radzif was the 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 board of Duopharma Biotech Berhad, Bina Darulaman Berhad, KPJ Healthcare Berhad and SMRT Holdings Berhad.

DATUK JAYAKUMAR A/L PANNEER SELVAM

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed on 3 March 2020

Nationality	Age	Gender	Meetings Attended
Malaysian	54	Male	-

QUALIFICATION

- **Diploma in Computer Science, Regent School of Economics, Malaysia**

Datuk Jayakumar started his career with Kumpulan Wang Simpanan Pekerja in 1989 and subsequently moved to Arab Malaysia Finance Bank in 1990 for about two (2) years. His career in IT began with PDX Teknologi Sdn Bhd as the Major Accounts Executive in 1992. He was subsequently appointed as the Executive Director of PDX.com Sdn Bhd in 2004. He was instrumental in PDX.com Sdn Bhd securing the MSC Electronic Government Flagship Application (eServices Project) that was appointed as the official Gateway Provider of the Government in 2000 for providing online government services directly to the rakyat. In 2009, he was appointed as the Chief Executive Officer/Executive Director of PDX.com Sdn Bhd. He has leveraged on his long experience in the IT industry and has ventured into many IT related companies.

Datuk Jayakumar is currently the Chairman of Cuscapi Berhad.

He was appointed as the Non-Independent Non-Executive Director of HeiTech Padu Berhad on 3 March 2020.

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

Nationality	Age	Gender
Malaysian	50	Female

QUALIFICATION

- **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

Nationality	Age	Gender
Malaysian	44	Male

QUALIFICATION

- **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 Council Committee

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 77 of this Annual Report.

AHMAD NASRUL HAKIM BIN MOHD ZAINI

EXECUTIVE VICE PRESIDENT, FINANCE
CHIEF FINANCIAL OFFICER

Nationality	Age	Gender
Malaysian	44	Male

QUALIFICATION

Bachelor of Commerce (Accounting), University of New South Wales, Sydney, Australia

Chartered Accountant, Member of Malaysian Institute of Accountants ("MIA")

Chartered Public Accountant , 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 Council Committee

SALMI NADIA BINTI MOHD HILMEY

EXECUTIVE VICE PRESIDENT
RISK MANAGEMENT AND CORPORATE SERVICES
HEAD CORE 2

Nationality	Age	Gender
Malaysian	38	Female

QUALIFICATION

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 Padu Berhad.

In January 2016, she was appointed as Executive Vice President, Risk Management and Corporate Services and later as the Head of Core 2, to lead more than ten (10) subsidiary companies in HeiTech Group in September 2018.

She holds a number of directorship within HeiTech Group.

ABDUL HALIM BIN MD LASSIM

EXECUTIVE VICE PRESIDENT
CHIEF EXECUTIVE OFFICER OF CORE 1

Nationality	Age	Gender
Malaysian	48	Male

QUALIFICATION

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.

He was appointed as Executive Vice President and Chief Executive Officer of Core 1 in 2018.

He holds a number of directorship within HeiTech Group.

DR. NOR HAZILAWATI BINTI AWANG

VICE PRESIDENT
DIGITAL TECHNOLOGY

Nationality	Age	Gender
Malaysian	47	Female

QUALIFICATION

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.

NORAZLINA BINTI ABDUL LATIFF

VICE PRESIDENT
IT CONSULTING

Nationality	Age	Gender
Malaysian	58	Female

QUALIFICATION

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.

CHAIRMAN'S INTRODUCTION ON HEITECH'S CORPORATE GOVERNANCE

In this new era of technological advances and borderless transfer of information, businesses need to be more vigilant in addressing potential threats, sinister activities and complex regulations. All these aspects are required to be carefully managed and governed whilst still promoting entrepreneurial behaviour and aiming at a successful business operation. As such, we believe the combination of a sound Board of Directors, competent Management, virtuous staff together with comprehensive governance framework involving key aspects such as code of conduct, responsibilities and integrity is important in managing and governing a business in this dynamic environment.

An effective Board should be adaptable to new possibilities. We believe that the composition of our Board Members is well balanced, encompassing various professional background and is capable of endorsing business initiatives while upholding the obligation to practice good governance by the Management and others within the Group.

We also believe by empowering our leaders, we can improve the way we carry out our business. Nevertheless, this empowerment is required to be guided and supervised accordingly to ensure all risks and threats are properly mitigated.

With collective effort and continuous improvement, we believe that we can sustain our business while maintaining our adherence to good governance.

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

Corporate Governance Overview Statement

INTRODUCTION

The Board of Directors acknowledge the importance of Principles and Recommendations as promulgated by Malaysian Code on Corporate Governance 2017 ("MCCG 2017") 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 ("Bursa Malaysia") Main Market Listing Requirement ("MMLR") and it is to be read together with the Corporate Governance Report 2019 of the Company which is available on the corporate 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 MCCG 2017 on a clear division of responsibility between the Chairman and the President.

The Board selects, after a recommendation from the Nomination and Remuneration Committee in conformity with MCCG 2017, 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 the 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 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 the implementation of appropriate internal controls and mitigation measures;
- Succession planning for Senior Management;
- Overseeing the development and implementation of the 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 the way to manifest their commitment to professionalism and integrity.

Whistleblowing Policy

A Whistleblowing Policy was adopted to provide safe avenue for employees and stakeholder of HeiTech to disclose any improper conduct concerning the Group. The Chairman of Audit Committee has been tasked to facilitate the investigation and proposed the appropriate action to be taken.

Corporate Governance Overview Statement

PRINCIPLES 2 – STRENGTHEN COMPOSITION OF THE BOARD

At present, the Board consists of eight (8) members, all of whom are non-executive, except for Executive Deputy Chairman. Of the seven (7) Non-Executive Directors, five (5) are Independent Directors. The composition fulfils the requirements set out under the MMLR of Bursa Malaysia which stipulates that at least two (2) Directors or one-third of the Board, whichever is higher, must be independent.

Board Committees

In discharging its duties, the Board has established the following Board Committees:

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

Members of these committees comply with the independence criteria 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.

LIST OF BOARD COMMITTEES

a) Audit Committee

The present members of the Audit Committee are:

Members	Directorship	Attendance
Dato' Haji Ghazali Bin Awang (Chairman)	Independent Non-Executive	11/11
Wan Ainol Zilan Binti Abdul Rahim (f)	Independent Non-Executive	11/11
Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor	Independent Non-Executive	10/11

Details of the composition, terms of reference and the Audit Committee Report are set out in pages 97 to 100 of this Annual Report.

b) Nomination and Remuneration Committee ("NRC")

Members	Directorship	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	Non-Independent Non-Executive	4/4

The Nomination and Remuneration Committee ("NRC") 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 NRC 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 NRC will review and select candidates that would be able to fulfil the criteria of integrity and competency, regardless of gender. The Committee strictly adheres to the selection process which emphasized on the qualification, background and the capabilities of the candidates.

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

Disclosure of Remuneration

The details of the Director's remuneration comprising remuneration received during the financial year are as follows:-

	Directorship	Salary RM	Special Allowances RM	Bonus RM	Meeting Allowances RM	Annual Fees (Company) RM	Annual Fees (Subsidiaries) RM	Total RM
Directors								
Dato' Sri Mohd Hilmey Bin Mohd Taib	Executive Deputy Chairman	1,050,000	–	–	28,700	–	30,000	1,108,700
Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor	Independent Non-Executive Chairman	–	18,000	–	40,500	30,000	–	88,500
Dato' Haji Ghazali Bin Awang	Independent Non-Executive	–	–	–	44,500	30,000	–	74,500
Dato' Mohd Fadzli Bin Yusof	Independent Non-Executive	–	–	–	23,600	30,000	25,000	78,600
Datuk Mohd Radzif Bin Mohd Yunus	Non-Independent Non-Executive	–	–	–	24,600	–	–	24,600
Sulaiman Hew Bin Abdullah	Independent Non-Executive	–	–	–	28,000	30,000	–	58,000
Wan Ainol Zilan Binti Abdul Rahim	Independent Non-Executive	–	–	–	36,000	30,000	–	66,000
Puan Amizar Binti Mizuar (Resigned w.e.f 10.12.2019)	Non-Independent Non-Executive	–	–	–	24,000	–	–	24,000
Harris Bin Ismail (Resigned w.e.f 30.6.2019)	Executive Director	180,000	–	–	–	–	25,000	205,000
Grand Total								**1,727,900**

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	–	2
50,001 – 200,000	–	5
200,001 and above	2	–

Corporate Governance Overview Statement

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

Members	Directorship	No. of Meeting
Dato' Mohd Fadzli Bin Yusof (Chairman)	Independent Non-Executive	4/4
Sulaiman Hew Bin Abdullah	Independent Non-Executive	4/4
Puan Amizar Binti Mizuar (Resigned w.e.f 10.12.2019)	Non-Independent Non-Executive	4/4
Datuk Mohd Radzif Bin Mohd Yunus (Appointed w.e.f 10.2.2020)	Non-Independent Non-Executive	NA

The RMC is assisted by the Central Risk Review Committee (CRRC) to identify, deliberate and monitor the strategic and operational risks of the Group. The Chief Risk Officer implements the Risk Management Framework and Policy for the Group and reports to the RMC on a quarterly basis. The report is then shared with the Directors for further deliberation and action to be taken.

d) **Employee Share Option Scheme ("ESOS") Committee**

Members	Directorship
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 ESOS scheme under its By-Laws and Guidelines. This is undertaken with the proper execution of the ESOS, within the defined terms of reference and also with the establishment, amendment and resolution of rules and regulations relating to the scheme and its administration.

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

Members	Directorship
Dato' Sri Mohd Hilmey Bin Mohd Taib (Chairman)	Executive Deputy Chairman
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 need arises.

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 Chief Executive Officer and the roles and responsibilities of the Committees established by the Board. The Charter is periodically reviewed by the Board and can be accessed on the corporate website.

Gender Diversity Policy

The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG 2017 to the establishment of boardroom and workforce Gender Diversity Policy. The Board currently has one female Director which the Board is of the view, is in line with the gender diversity recommended by MCCG 2017 and also taken into consideration, the background and qualifications of the Director.

The evaluation on the suitability of candidates as the new Director or as a member of the workforce is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender.

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

PRINCIPLE 3 – REINFORCE OF THE BOARD

The Nomination and Remuneration Committee reviews and evaluates the assessment of Directors and the performance of other Committees on an annual basis. The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, Board Committee and as well as the Management performance.

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

The results of the assessment would be reported by the Nomination and Remuneration Committee to the Board and 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 the 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 the tenure of office. The Board has made assessment 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 the Group's strategies and 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 Directors are set out as follows:

No	Name of Directors	Directorship	94 28 Feb	95 30 May	96 30 Aug	97 28 Nov	SP1 22 Mar	SP2 9 Apr	SP3 18 June	SP4 8 Aug	SP5 24 Oct	SP6 22 Nov	Attendance
1	Dato' Sri Mohd Hilmey Bin Mohd. Taib	Executive Deputy Chairman	/	/	/	/	/	/	/	/	/	/	10/10
2	Dato' Haji Ghazali Bin Awang	Independent Non-Executive	/	/	/	/	/	/	/	/	/	/	10/10
3	Dato' Mohd. Fadzli Bin Yusof	Independent Non-Executive	/	/	/	/	X	/	X	/	X	/	7/10
4	Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor	Independent Non-Executive Chairman	/	/	/	/	/	/	/	/	/	/	10/10
5	Datuk Mohd Radzif Bin Mohd Yunus	Non-Independent Non-Executive	/	/	/	/	/	/	/	X	/	/	9/10
6	Sulaiman Hew Bin Abdullah	Independent Non-Executive	/	/	/	X	/	/	/	/	/	/	9/10
7	Wan Ainol Zilan Binti Abdul Rahim (f)	Independent Non-Executive	/	/	/	/	/	/	/	/	/	/	10/10
8	Amizar Binti Mizuar (f) (Resigned w.e.f 10.12.2019)	Non-Independent Non-Executive	/	/	/	/	/	/	/	/	/	/	10/10
9	Harris Bin Ismail (Resigned w.e.f 30.6.2019)	Executive Director	/	/	N/A	N/A	/	/	/	N/A	N/A	N/A	5/5

Corporate Governance Overview Statement

Conduct of Meetings (Board Agenda)
The Chairman of the Board and chairpersons of the Board 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' agenda, and raise issues and concerns in any Board Meeting.

All Directors are provided with a sufficient notice, an agenda and a set of Board papers before the Board meetings for their review. Generally, the Board papers circulated include minutes of the previous Committees' meetings, quarterly and/or Annual Financial Statements and updates from the Management and Directors' dealings in securities during the relevant financial period, if any.

Access to Information and Advice
The Company takes necessary steps to ensure that quality and useful information be delivered to the Directors to facilitate their decision-making.

Relevant Board papers are disseminated to all Directors before the meetings promptly to enable the Directors to review the materials and obtain additional information or clarification before the meetings. Directors also have unfettered access to the information within the Group, both financial and operational in which the officers and employees of the Group may brief and present details to the Board. Upon request, the Board also seeks 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 2019, the Directors had attended various training programmes relevant to their duties and responsibilities. Among the trainings that they had attended includes:-

- Design Thinking – What Can Accountants Learn From It.
- Anti – Bribery Management System (ISO37001)
- 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 Board functions effectively. The Company Secretaries ensure that Board's policies and procedures are both followed and reviewed regularly. The Directors were also regularly briefed 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 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 requirements 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 before full deliberation at the Board 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 internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal control and risk management, and for reviewing the adequacy and effectiveness of the same from time to time. It is to be noted that such system is designed to identify, evaluate and manage the significant risk of the Group.

The Board is assisted by the Risk Management Committee to identify strategic risks and ensure that the implementation of the mitigation plan is in order. This Committee is supported by the Central Risk Review Committee ("CRRC") which consist of the Management team from various units within the Group.

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 101 to 108 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.

The Group, through its website www.heitech.com.my and its announcements on Bursa Malaysia's website, shares mandatory public announcements as well as publishes its quarterly and annual results. The quarterly financial results are announced via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investors.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Sustainability

The Group is committed to sustainable development. The sustainability objective of the Group is to balance the shareholders' value, the welfare of employees, community and environment in which it operates.

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 minimise the negative impacts on the business activities and be consistent with the business objective.

Employees' welfare and community services were also carried out and organised in several occasions during the financial year.

Further details of CSR and sustainability initiatives and activities are set out in Sustainability Report on pages 48 to 75 of this Annual Report.

Annual General Meeting

The Group recognises the importance of having effective communication with its shareholders at the 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 corporate 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 Annual General Meetings are voted by poll.

The Company shall be conducting poll voting for all resolutions set out in the Notice of the 25th 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 amirsahrim@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 MCCG 2017 throughout the financial year 2019 save as explained above. This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 14 May 2020.

Corporate Governance Overview Statement

ADDITIONAL COMPLIANCE INFORMATION

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

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 2019.

iii) **Material Contracts**
Neither the 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 2019, save as disclosed under Disclosure to BMSB on pages 109 to 112 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 FY2019 are as follows:-

	Group (RM)	Company (RM)
Audit fees	481,000	191,000
Non-audit fees	10,000	10,000
Total	**491,000**	**201,000**

v) **Profit Guarantee**
There was no profit guarantee given by the Group during the financial year ended 31 December 2019.

vi) **Share Buy Back**
There was no share buy back exercise done during the financial year ended 31 December 2019.

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 2019 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, whom all 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 eleven (11) times during the financial year ended 31 December 2019. The composition of the Committee and the details of their attendance are as follows:

Name of Committee Members	Status of Directorship	No. of Meetings Attended
Dato' Haji Ghazali Bin Awang *Chairman of the Committee*	Independent Non-Executive Director	11 out of 11
Wan Ainol Zilan Binti Abdul Rahim	Independent Non-Executive Director	11 out of 11
Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor	Independent Non-Executive Director	10 out of 11

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's corporate website at www.heitech.com.my.

COMMITTEE'S WORK SUMMARY

During the financial year ended 31 December 2019, the Committee has carried out the following tasks:

(a) Financial Reporting

(i) Reviewed the quarterly financial results prior to recommend 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

Audit Committee Report

(iv) Obtained assurance from the President/ Executive Deputy Chairman 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 2019.

(b) Internal Audit

During the year, the Committee:

(i) Reviewed and approved the 2019 Annual Internal Audit Plan;

(ii) Reviewed and approved the 2019 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 of 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 evaluated, reviewed and recommended to the Board of Directors for approval on the followings:

(i) The External Auditor's 2019 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 identified Key Audit Matters ("KAM") and the audit procedures in addressing such KAM, 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.

The Committee in 2019 held a meeting with External Auditors [Messrs. Hanafiah Raslan Mohamad ("HRM")], in the absence of Management on 25 February 2019 at 83rd Audit Committee Meeting. At the Annual General Meeting held on 27 June 2019 HRM did not seek for re-election.

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) Appointment of New External Auditors

The Committee evaluated, reviewed and recommended to the Board of Directors for approval of Messrs. AlJafree Salihin Kuzaimi PLT ("Salihin") as the new External Auditors.

(e) 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 not more favourable than those available to the public and other suppliers and are not detrimental to the minority shareholders;

(ii) Monitored the threshold of the RPT and RRPT to ensure compliance with the Listing Requirements of BMSB;

(iii) Reviewed and recommended to the Board of Directors for approval, the Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for the Company and the Group to enter into RRPT of revenue or trading nature with related parties; and

(iv) Monitored the related party transactions entered by the Company and the Group pursuant to shareholders' mandate obtained at the Annual General Meeting.

(f) Annual Reporting

The Committee reviewed and recommended to the Board of Directors for approval, the disclosures on the Statement of Corporate Governance, Audit Committee Report and Statement on Risk Management and Internal Control for the financial year ended 31 December 2019 for inclusion in the 2019 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 101 to 108 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 finalize the results of the audited financial statements.

SUMMARY OF THE INTERNAL AUDIT FUNCTION WORK

HeiTech has an in-house Internal Audit function carried out by the Audit & Assurance Department ("AA"). The principal responsibility is to evaluate and improve the effectiveness of risk management, internal control and governance processes. This is accomplished through a systematic approach of regular reviews and appraisals of the operational activities, internal control and governance processes based on the audit plan that is approved by the Committee annually. This will provide the Board of Directors with assurance it requires regarding the adequacy, integrity and effectiveness of the internal control system.

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), Universiti Teknologi MARA. He has more than 20 years' experience in the areas of internal auditing, business process improvement, enterprise risk management and corporate governance assurance.

Audit Committee Report

The Terms of Reference of the Internal Audit function are clearly spelt out in the Audit Charter that defines the roles, responsibilities, accountability and the Department's scope of work. 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 across 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 2019 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 2019. The total operation cost of the Department for 2019 was RM764,728 comprising of mainly salaries, travelling expenses, administrative and training.

The Internal Audit assignments conducted in 2019 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 2018 Annual Internal Audit Performance Report for review by the Committee;
(b) Prepared the 2019 KRA/KPIs for approval by the Committee;
(c) Prepared the 2019 Annual Internal Audit Plan for the approval of the Committee;
(d) Implemented the approved 2019 Annual Internal Audit Plan;
(e) Assessed the adequacy and effectiveness of internal control system 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) Organized training programs for Internal Auditors to enhance their audit skills and knowledge; and
(m) Kept the Committee informed of the progress of audit activities.

This Audit Committee Report is made in accordance with the resolution of the Board of Directors dated 14 May 2020.

Statement on Risk Management and Internal Control

Introduction

It is stipulated in the Principle B (II) of Malaysian Code on Corporate Governance 2017 ("Code") that the Board of Directors are responsible for the Company's risk management and internal control system. The Board of Directors should set appropriate policies on internal control and seek assurance that the system is functioning effectively.

In compliance with the Listing Requirement Paragraph 15.26 (b) of Bursa Malaysia Securities Berhad ("BMSB") 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") are 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"). The SORMIC illustrates the risk management framework and scope of the internal control structure, for 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 system cover, inter alia, financial, organisational, operational, project and compliance controls. As there are limitations that are inherent in any risk management and internal control system, these system 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 system does 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 system to manage risks. The risk management framework, which is embedded in the management system of the Group, clearly defines the authority and accountability in implementing the risk management process and internal control system. The Board, through Risk Management Committee ("RMC"), provides oversight of the entire risk management framework of the Group. The RMC is assisted by Central Risk Review Committee ("CRRC"), that carries out the risk management activities. Significant risks identified by the CRRC are subsequently brought to the attention of the RMC and the Board at their scheduled meetings.

Statement on Risk Management and Internal Control

HeiTech's risk management framework comprised the following three (3) 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 occur. 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 enhancing the risk management system. RMC is responsible for the overall oversight, implementation and monitoring of the Group-wide Enterprise Risk Management ("ERM") Framework. Below are the members of the RMC:

- Dato' Mohd Fadzli Bin Yusof *(Chairman)*
- Encik Sulaiman Hew Bin Abdullah
- Datuk Mohd Radzif Bin Mohd Yunus *(Appointed w.e.f. 10 February 2020)*
- Puan Amizar Binti Mizuar *(Until 10 December 2019)*

c) Central Risk Review Committee ("CRRC")

CRRC was appointed by the RMC, upon recommendation by the Group Chief Risk Officer. CRRC is responsible on group-wide risk activities, such as risk identification, risk evaluation and formulation of effective controls that are capable to mitigate risks. CRRC assist the RMC in discharging its duties and responsibilities, through the following activities:

- Establish risk management framework, policy and procedures;
- Facilitate and guide Risk Officers to perform their role effectively;
- Review key risk profile for process risk as escalated by the Management Review meeting;
- Identify strategic risks for each companies within the Group, that could affect business performance and survivability;
- Monitor the implementation of risk mitigation plans and deliberate to RMC on quarterly basis; and
- Coordinate programmes for continuous improvement of the ERM implementation.

INTERNAL CONTROL

The Board is committed in maintaining an effective Internal Control Structure and controlled environment for a proper conduct of business operations. The following key Internal Control Structures were implemented to ensure effective control and provide key elements needed in maintaining a sound internal control that compliments the ERM framework:

a) Control Environment

i) Board Committee

The Board acknowledges sound governance requires effective interaction among the Board, the Management and the internal and external auditors. In discharging its responsibilities, the Board 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 ("ESOS") Committee; and
- The Voluntary Separation Scheme ("VSS") Committee.

ii) Board and Management Meetings

Below are the meetings conducted in HeiTech:

- **Board of Directors meetings**
  Review and deliberate the whole spectrum of the Group's business strategies, directions, challenges and financial statements.

- **Executive Council meetings**
  Set the strategic direction of the Company and review the business operation for all the companies within the Group.

- **Investment Committee meetings**
  Review and deliberate all investments to be made by HeiTech and recommend to the Risk Management Committee.

- **Central Risk Review Committee meetings**
  Review and deliberate key risk profile for all departments and companies within HeiTech Group. Monitor the effectiveness of the mitigation implementation plan and recommend for improvement.

- **Project Steering Committee meetings**
  Monitor projects' performance and implementation progress for all projects in HeiTech.

- **Central Review Committee meetings**
  Review and evaluate business proposals to ensure that strategic solution, pricing and partnership (with customers and various types of partners) are appropriately considered.

- **Procurement Committee meetings**
  Deliberate and approve the procurement and acquisition processes.

- **Management Review meetings**
  Review HeiTech's Quality Management System to ensure the continuation of stability, adequacy, effectiveness and alignment with Quality Policy and the 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 on 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 supporting departments under business group/ operating divisions/ companies of HeiTech Padu Berhad 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 systematic documentation of procedures and process flows are in place to guide employees and also for the reference to new employees.

Statement on Risk Management and Internal Control

ii) **Certifications and standards**

HeiTech is dedicated to progressively improve its service quality by maintaining international certifications and standards, as follows:

Certification

- **ISO 9001:2015 Quality Management System ("QMS")**
  HeiTech has successfully been re-certified with QMS certification in 2019. 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;
  - Provision of Help Desk Support Services;
  - Provision of Data Centre Operations; and
  - Core business i.e. system development project and system maintenance projects).

- **ISO 27001:2013 Information Security Management System ("ISMS")**
  Achieved and conform to ISMS certification since 2006, under 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.

- **ISO 20000-1:2011 Service Management System ("SMS")**
  Achieved and conform to SMS certification since 2010, under 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.

- **ISO 22301:2012 Business Continuity Management System ("BCMS")**
  Achieved and conform to BCMS certification since 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 includes 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"); and
  - Supporting functions that includes 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 QMS, ISMS, SMS, and BCMS scopes of certification by HeiTech's certified Internal Auditor. Besides maintaining compliance over the process and delivery, the internal quality audit activities also help to improve the internal processes.

All SIRIM Management System certifications are subject to annual surveillance audit and re-certification audit every three (3) years, by SIRIM Berhad or its certification body such as SIRIM QAS International.

- **Capability Maturity Model Integration**
  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.

  Implementing a disciplined process in the organization improves the organization's control over execution of projects, meet the stiff project deadlines and quality levels. CMMI for Development model assists HeiTech to develop and institutionalize efficient and effective processes in the organization. A well interpreted, developed and properly followed process will increase the ability to meet project goals and improve profitability. The benefits associated with the CMMI for Development model are:

  - Improvement in productivity and quality;
  - Increase in cycle time thus improving the customer satisfaction; and
  - Meeting business objectives thus improving business growth.

  A well-established CMMI program also acts as a catalytic business model for the organization. HeiTech has successfully maintained its CMMI for Development v1.3 Maturity Level 3 since 2006, assessed by the CMMI Institute from United States. HeiTech is also one of only eight (8) organizations in Malaysia to have achieved and maintained the CMMI maturity level to date.

<u>Standards</u>

- **Payment Card Industry Data Security Standard**
  HeiTech maintained Payment Card Industry Data Security Standard ("PCI DSS") certification since January 2017 under 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.

- **Telecommunications Infrastructure Standard**

  Data Centre in HeiTech Village 2 is Tier IV ready, in accordance to the Telecommunications Infrastructure Standard ("TIA 942") for Data Centres, on the following components:

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

Statement on Risk Management and 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, as recent as 2019, to ensure that they conform to changes in technology and the industry. The defined business processes of HeiTech are available online to all staffs, through its knowledge portal.

iv) Strategic Planning

- 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 targets are met.

v) Limits of Authority

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

vi) Whistleblowing Policy and Guidelines

HeiTech has put in place a Whistleblowing Policy and Guidelines ("WBP") that provides clarity of oversight and responsibilities of the whistleblowing process, the reporting process, protection to whistle-blowers and confidentiality afforded to the whistle-blowers. The primary aim of the WBP and its supporting mechanism is to enable individuals to raise genuine concerns in a secured and confidential manner.

The WBP is made available to all employees via MyHR Portal. It is also made available to external parties and stakeholders via our corporate website, www.heitech.com.my.

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 internal communications channels established are staff portal, internal newsletter, social media and town hall whilst annual report, company website, investor relation portal, print and digital media are the platforms 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 and Assurance Department)

- The internal audit function in HeiTech is carried out by 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 system and attends to 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 AA was established to manage and oversee the Group's 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.

ii) Legal and Regulatory Compliance

Guided by HeiTech's core values and enhanced code of conduct, the Legal Department is fully committed to ensure 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 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 employees' performance and competencies individually, 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 employee's competencies are appraised through the CAD System. The CAD assessment indicates the competency level of individual employee against the required competency.

Statement on Risk Management and Internal Control

The outcomes of individual employee's 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 the 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 President/ Executive Deputy Chairman 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 loss, contingencies or uncertainties incurred as a result of weaknesses in the system 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 Auditor, Messrs. AlJafree Salihin Kuzaimi PLT ("Salihin") has 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 14 May 2020.

Disclosure to Bursa Malaysia

No	Date	Announcement
1	03 Mar 2020	Change in Boardroom - Datuk Jayakumar A/L Panneer Selvam
2	28 Feb 2020	Quarterly rpt on consolidated results for the financial period ended 31/12/2019
3	12 Feb 2020	Dealings in Listed Securities (Chapter 14 of Listing Requirements): Intention to Deal During Closed Period
4	10 Feb 2020	Change in Risk Committee - Datuk Mohd Radzif Bin Mohd Yunus
5	07 Jan 2020	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Asia Internet Holdings Sdn Bhd
6	06 Jan 2020	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Asia Internet Holdings Sdn Bhd
7	06 Jan 2020	Changes in Director's Interest (Section 219 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
8	06 Jan 2020	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
9	03 Jan 2020	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Asia Internet Holdings Sdn Bhd
10	03 Jan 2020	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
11	03 Jan 2020	Changes in Director's Interest (Section 219 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
12	31 Dec 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Padujade Corporation Sdn Bhd
13	30 Dec 2019	Disposal of 6,900,000 Ordinary Shares In Dapat Vista (M) Sdn Bhd. ("DAPAT") ("Disposal") (Amended Announcement)
14	30 Dec 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Padujade Corporation Sdn Bhd
15	27 Dec 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Padujade Corporation Sdn Bhd
16	23 Dec 2019	Acceptance on The Letter of Award (LOA) for Renewal of Licenses and Maintenance of IBM Software for Mainframe Systems in Lembaga Hasil Dalam Negeri
17	20 Dec 2019	Disposal of 6,900,000 Ordinary Shares In Dapat Vista (M) Sdn Bhd. ("DAPAT") ("Disposal")
18	18 Dec 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Asia Internet Holdings Sdn Bhd
19	18 Dec 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Padujade Corporation Sdn Bhd
20	17 Dec 2019	Transactions (Chapter 10 of Listing Requirements): Non Related Party Transactions Disposal of 6,900,000 Ordinary Shares In Dapat Vista (M) Sdn Bhd.
21	16 Dec 2019	Notice of Interest Sub. S-hldr (Section 137 of CA 2016) - Asia Internet Holdings Sdn Bhd
22	10 Dec 2019	Change in Risk Committee - Puan Amizar Binti Mizuar
23	10 Dec 2019	Change in Boardroom - Puan Amizar Binti Mizuar
24	02 Dec 2019	HeiTech Padu Berhad ("HeiTech" or "the Company") Appointment of New Auditors

Disclosure to Bursa Malaysia

No	Date	Announcement
25	29 Nov 2019	Quarterly rpt on consolidated results for the financial period ended 30/09/2019
26	26 Nov 2019	HeiTech Padu Berhad - Resignation of Auditors
27	19 Nov 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
28	18 Nov 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
29	15 Nov 2019	HeiTech Padu Berhad ("HeiTech" or "the Company") Appointment of New Auditors
30	14 Nov 2019	Formation of PT Desa Tech Nusantara, a JV Company between HeiTech Padu Berhad and PT Kirana Investama Nusantara
31	14 Nov 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
32	13 Nov 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
33	11 Nov 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
34	07 Nov 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
35	07 Nov 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad (Amended Announcement)
36	05 Nov 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
37	04 Nov 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
38	24 Oct 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Padujade Corporation Sdn Bhd
39	22 Oct 2019	ESDC Technology Sdn Bhd ("Plaintiff") vs HeiTech Padu Berhad ("Defendant")
40	14 Oct 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
41	14 Oct 2019	Changes in Director's Interest (Section 219 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
42	23 Sep 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Padujade Corporation Sdn Bhd
43	20 Sep 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Padujade Corporation Sdn Bhd
44	12 Sep 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
45	12 Sep 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Padujade Corporation Sdn Bhd
46	12 Sep 2019	Changes in Director's Interest (Section 219 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
47	05 Sep 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Padujade Corporation Sdn Bhd
48	30 Aug 2019	Quarterly rpt on consolidated results for the financial period ended 30/06/2019
49	29 Aug 2019	Dealings in Listed Securities (Chapter 14 of Listing Requirements) : Dealings During Closed Period

No	Date	Announcement
50	29 Aug 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
51	29 Aug 2019	Changes in Director's Interest (Section 219 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
52	22 Aug 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Padujade Corporation Sdn Bhd
53	21 Aug 2019	Dealings in Listed Securities (Chapter 14 of Listing Requirements): Dealings During Closed Period
54	21 Aug 2019	Changes in Director's Interest (Section 219 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
55	21 Aug 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Padujade Corporation Sdn Bhd
56	21 Aug 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
57	20 Aug 2019	Dealings in Listed Securities (Chapter 14 of Listing Requirements): Dealings During Closed Period
58	20 Aug 2019	Changes in Director's Interest (Section 219 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
59	20 Aug 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Padujade Corporation Sdn Bhd
60	20 Aug 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Dato' Sri Mohd Hilmey Bin Mohd Taib
61	15 Aug 2019	Dealings in Listed Securities (Chapter 14 of Listing Requirements) : Intention To Deal During Closed Period
62	02 Aug 2019	ESDC Technology Sdn Bhd ("Plaintiff") vs HeiTech Padu Berhad ("Defendant")
63	22 Jul 2019	Letter Subject or Reference - Unusual Market Activity
64	19 Jul 2019	HTPADU - Unusual Market Activity
65	28 Jun 2019	Change in Boardroom - Encik Harris Bin Ismail
66	27 Jun 2019	General Meetings: Outcome of Meeting
67	27 Jun 2019	Retirement of Auditors
68	21 Jun 2019	Acceptance on The Letter of Award ("LOA") for Enterprise Storage Upgrade & Technology Refresh for Bank Simpanan Nasional ("BSN")
69	18 Jun 2019	ESDC Technology Sdn Bhd ("Plaintiff") vs HeiTech Padu Berhad ("Defendant")
70	30 May 2019	Quarterly rpt on consolidated results for the financial period ended 31/03/2019
71	28 May 2019	ESDC Technology Sdn Bhd ("Plaintiff") vs HeiTech Padu Berhad ("Defendant")
72	28 May 2019	ESDC Technology Sdn Bhd ("Plaintiff") vs HeiTech Padu Berhad ("Defendant") (Amended Announcement)

Disclosure to Bursa Malaysia

No	Date	Announcement
73	27 May 2019	ESDC Technology Sdn Bhd ("Plaintiff") vs HeiTech Padu Berhad ("Defendant") (Amended Announcement)
74	17 May 2019	ESDC Technology Sdn Bhd ("Plaintiff") vs HeiTech Padu Berhad ("Defendant")
75	16 May 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
76	14 May 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
77	09 May 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
78	07 May 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
79	06 May 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
80	30 Apr 2019	Annual Report & CG Report - 2018
81	30 Apr 2019	Annual Audited Accounts - 31 Dec 2018
82	30 Apr 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
83	30 Apr 2019	Acceptance on The Letter of Award ("LOA") for Development and Management of Smart Parking System for Majlis Bandaraya Pulau Pinang ("MBPP") (Amended Announcement)
84	30 Apr 2019	Acceptance on The Letter of Award ("LOA") for Development and Management of Smart Parking System for Majlis Perbandaran Seberang Perai ("MPSP") (Amended Announcement)
85	30 Apr 2019	Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature
86	30 Apr 2019	General Meetings: Notice of Meeting
87	24 Apr 2019	Acceptance on The Letter of Award ("LOA") for Development and Management of Smart Parking System for Majlis Bandaraya Pulau Pinang ("MBPP")
88	24 Apr 2019	Acceptance on The Letter of Award ("LOA") for Development and Management of Smart Parking System for Majlis Perbandaran Seberang Perai
89	24 Apr 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
90	22 Apr 2019	Changes in Sub. S-hldr's Int (Section 138 of CA 2016) - Permodalan Nasional Berhad
91	09 Apr 2019	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

FINANCIAL STATEMENTS

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

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.

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

FINANCIAL RESULTS

	Group RM'000	**Company RM'000**
Profit for the year	6,219	16,809
Profit/(loss) attributable to:		
Owners of the parent	7,429	16,809
Non-controlling interests	(1,210)	–
	6,219	16,809

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

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 **	
Datuk Mohd Radzif Bin Mohd Yunus	
Harris Bin Ismail	(Resigned on 30 June 2019)
Amizar Binti Mizuar **	(Resigned on 10 December 2019)
Datuk Jayakumar A/L Panneer Selvam	(Appointed on 3 March 2020)

** 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
Ahmad Nasrul Hakim Bin Mohd Zaini
Salmi Nadia Binti Mohd Hilmey
Abdul Rahim Bin Osman
Abdullah Bin Ahmad
Ahmad Fathony Zakaria
Mohd Din Bin Merican
Azhar Bin Ismail
Iwan Wirawan

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	462	356
Other emoluments	1,068	1,050
Benefits-in-kind	79	79
	1,609	1,485

INDEMNITY 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 2019.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its holding company or subsidiaries of the holding company during the financial year except as follows:

Number of ordinary shares

	1 January 2019	Bought	Sold	31 December 2019
The Company				
Direct interest				
Dato' Sri Mohd Hilmey Bin Mohd Taib	7,820,184	–	1,380,000	6,440,184
Datuk Jayakumar A/L Panneer Selvam	–	2,423,200	2,423,200	–
Indirect interest*				
Dato' Sri Mohd Hilmey Bin Mohd Taib	30,330,000	–	5,180,172	25,149,828

* 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.

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 expected credit losses and satisfied themselves that all known bad debts has been written off and that adequate allowance of expected credit losses 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) the amount written off for bad debts or the amount of the allowance of expected credit losses for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 38 to the financial statements.

Directors' Report

AUDITORS

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
AlJafree Salihin Kuzaimi PLT	370	191
Other auditors	111	–
	481	191

To the extent permitted by law, the Company has agreed to indemnify its auditors, AlJafree Salihin Kuzaimi PLT, 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 AlJafree Salihin Kuzaimi for the financial year ended 31 December 2019.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 May 2020.

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 120 to 207 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 2019 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 14 May 2020.

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 120 to 207 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 Subang Jaya in Selangor Darul Ehsan)
on 14 May 2020.)

Ahmad Nasrul Hakim Bin Mohd Zaini

Before me,

Statements of Comprehensive Income

For the financial year ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	4	**360,823**	379,446	**320,099**	253,465
Other income	5	**7,885**	18,066	**6,213**	24,813
Employee benefits expense	6	**(83,819)**	(85,389)	**(68,074)**	(14,262)
Purchase of hardware and software		**(108,106)**	(26,691)	**(108,106)**	(20,769)
Lease line rental		**(36,242)**	(29,903)	**(36,244)**	(51,367)
Maintenance costs		**(28,129)**	(42,920)	**(28,129)**	(89,478)
Bulk mailing processing charges		**(7,137)**	(12,249)	**–**	–
Project implementation costs		**(31,768)**	(141,956)	**(15,951)**	(33,757)
Depreciation and amortisation	9	**(16,065)**	(19,215)	**(12,645)**	(17,060)
Other expenses		**(36,780)**	(61,681)	**(28,604)**	(50,880)
Finance costs	8	**(13,087)**	(11,242)	**(11,470)**	(10,311)
Share of results of associates		**(939)**	(2,697)	**–**	–
Profit/(loss) before tax	9	**6,636**	(36,431)	**17,089**	(9,606)
Income tax expense	10	**(417)**	(355)	**(280)**	–
Profit/(loss) for the year		**6,219**	(36,786)	**16,809**	(9,606)
Profit/(loss) attributable to:					
Owners of the parent		**7,429**	(27,064)	**16,809**	(9,606)
Non-controlling interests		**(1,210)**	(9,722)	**–**	–
		6,219	(36,786)	**16,809**	(9,606)
Profit/(loss) per share attributable to owners of the parent (sen per share):					
Basic/diluted	11	**7.34**	(26.74)		

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit/(loss) for the year		**6,219**	(36,786)	**16,809**	(9,606)
Other comprehensive profit/(loss)					
Items that may be reclassified to profit or loss in subsequent periods (net of tax):					
Exchange difference on translation of foreign operations		**158**	(770)	**–**	–
Total comprehensive profit/(loss) for the year		**6,377**	(37,556)	**16,809**	(9,606)
Total comprehensive profit/(loss) attributable to:					
Owners of the parent		**7,587**	(27,756)	**16,809**	(9,606)
Non-controlling interests		**(1,210)**	(9,800)	**–**	–
		6,377	(37,556)	**16,809**	(9,606)

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

Statements of Financial Position

As at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	**56,602**	64,655	**47,698**	53,884
Right-of-use assets	13	**13,640**	–	**11,803**	–
Intangible assets	14	**7,363**	10,155	**–**	–
Investments in subsidiaries	15	**–**	–	**42,269**	42,269
Investments in associates	16	**1,199**	1,667	**470**	–
Investment in joint venture	17	**350**	350	**350**	350
Other investments	18	**1,334**	1,170	**3,310**	3,310
Contract assets	19	**–**	20,227	**–**	20,227
Deferred tax assets	20	**21**	21	**–**	–
		80,509	98,245	**105,900**	120,040
Current assets					
Inventories	21	**363**	639	**–**	–
Trade and other receivables	22	**79,022**	63,098	**102,183**	69,216
Contract assets	19	**72,582**	45,635	**70,104**	43,350
Contract costs assets	23	**38,909**	35,274	**38,909**	35,274
Prepayments		**838**	915	**–**	–
Tax recoverable		**3,051**	2,564	**2,881**	1,618
Cash and bank balances	24	**47,133**	67,192	**35,838**	52,232
		241,898	215,317	**249,915**	201,690
Assets of disposal group classified as held for sale	30	**2,382**	–	**–**	–
		244,280	215,317	**249,915**	201,690
Total assets		**324,789**	313,562	**355,815**	321,730
Equity and liabilities					
Current liabilities					
Contract liabilities	19	**3,024**	22,770	**3,024**	21,208
Loans and borrowings	25	**108,876**	89,425	**106,652**	88,206
Trade and other payables	27	**84,639**	93,285	**125,147**	120,224
Tax payable		**357**	628	**–**	–
Lease liability	26	**2,744**	–	**2,317**	–
		199,640	206,108	**237,140**	229,638

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Equity and liabilities (cont'd)					
Liabilities directly associated with disposal group classsified as held for sale	30	**2,055**	–	**–**	–
		201,695	206,108	**237,140**	229,638
Net current assets/(liabilities)		**40,203**	9,209	**12,775**	(27,948)
Non-current liabilities					
Deferred tax liabilities	20	**262**	286	**–**	–
Loans and borrowings	25	**3,209**	4,645	**41**	156
Lease liability	26	**11,650**	–	**10,015**	–
		15,121	4,931	**10,056**	156
Total liabilities		**216,816**	211,039	**247,196**	229,794
Net assets		**107,973**	102,523	**108,619**	91,936
Equity attributable to owners of the parent					
Share capital	28	**117,751**	117,751	**117,751**	117,751
Accumulated losses		**(3,671)**	(10,773)	**(9,132)**	(25,815)
Foreign currency translation reserve	29	**(865)**	(1,023)	**–**	–
		113,215	105,955	**108,619**	91,936
Non-controlling interests		**(5,242)**	(3,432)	**–**	–
Total equity		**107,973**	102,523	**108,619**	91,936
Total equity and liabilities		**324,789**	313,562	**355,815**	321,730

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

Statements of Changes in Equity

For the financial year ended 31 December 2019

	←Attributable to owners of the parent→					
	←Non-distributable→		Distributable			
	Share capital (Note 28) RM'000	Foreign currency translation reserve (Note 29) RM'000	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 2019	**117,751**	**(1,023)**	**(10,773)**	**105,955**	**(3,432)**	**102,523**
Effects of adoption of MFRS 16 (Note 13)	**–**	**–**	**(327)**	**(327)**	**–**	**(327)**
	117,751	**(1,023)**	**(11,100)**	**105,628**	**(3,432)**	**102,196**
Total comprehensive income	**–**	**158**	**7,429**	**7,587**	**(1,210)**	**6,377**
Transaction with owners						
Dividends paid to minority interest	**–**	**–**	**–**	**–**	**(600)**	**(600)**
At 31 December 2019	**117,751**	**(865)**	**(3,671)**	**113,215**	**(5,242)**	**107,973**
At 1 January 2018	117,751	(331)	33,802	151,222	5,030	156,252
Effects of adoption of MFRS 15	–	–	(15,126)	(15,126)	1,451	(13,675)
Effects of adoption of MFRS 9	–	–	(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

	← Non-distributable	→	Distributable	
	Share capital (Note 28) RM'000	Share premium (Note 28) RM'000	Accumulated losses RM'000	Total equity RM'000
Company				
At 1 January 2019	**117,751**	**–**	**(25,815)**	**91,936**
Effects of adoption of MFRS 16 (Note 13)	**–**	**–**	**(126)**	**(126)**
	117,751	**–**	**(25,941)**	**91,810**
Total comprehensive income	**–**	**–**	**16,809**	**16,809**
At 31 December 2019	**117,751**	**–**	**(9,132)**	**108,619**
At 1 January 2018	117,751	–	2,279	120,030
Effects of adoption of MFRS 15	–	–	(16,636)	(16,636)
Effects of adoption of MFRS 9	–	–	(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

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 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Operating activities				
Profit/(loss) before taxation	**6,636**	(36,431)	**17,089**	(9,606)
Adjustments for:				
Gain on disposal of property, plant and equipment	**(1)**	(10)	**–**	–
Gain on disposal of other investments	**–**	(7,543)	**–**	(7,543)
Hibah income	**(1,206)**	(1,769)	**(1,024)**	(1,421)
Dividend income	**–**	(3,670)	**(900)**	(3,670)
Finance costs	**11,788**	11,242	**10,331**	10,311
Finance costs on right-of-use assets	**1,299**	–	**1,139**	–
Amortisation of intangible assets	**1,092**	1,037	**–**	–
Depreciation of property, plant and equipment	**11,964**	18,178	**10,073**	17,060
Depreciation of property, plant and equipment (right-of-use assets)	**3,009**	–	**2,572**	–
Property, plant and equipment written off	**1,123**	408	**–**	628
Reversal of impairment loss on:				
- Contract assets	**–**	(14)	**–**	(14)
- Trade receivables	**(6,079)**	(2,015)	**(3,833)**	–
- Other receivables	**(267)**	–	**(267)**	–
Impairment loss on:				
- Trade receivables	**2,440**	1,483	**1,691**	705
- Other receivables	**34**	1,708	**34**	5,320
- Investment in subsidiaries	**–**	–	**–**	104
- Investment in associates	**–**	55	**–**	55
- Property, plant and equipment	**–**	736	**–**	–
- Intangible assets	**1,620**	13,556	**–**	–
Unrealised foreign exchange gain	**(168)**	(149)	**(168)**	(149)
Fair value loss on other investments	**–**	100	**–**	100
Provision for onerous contract	**–**	845	**–**	–
Share of results of associates	**939**	2,697	**–**	–
Total adjustments	**27,587**	36,875	**19,648**	21,486
Operating cash flows before changes in working capital	**34,223**	444	**36,737**	11,880

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Operating activities (cont'd)				
Changes in working capital:				
Inventories	**276**	119	**–**	–
Trade and other receivables	**(14,884)**	40,164	**(36,818)**	33,791
Contract assets	**(6,720)**	9,033	**(6,527)**	(18,317)
Contract costs assets	**(3,635)**	32,295	**(3,635)**	32,295
Prepayments	**77**	(255)	**–**	–
Contract liabilities	**(19,746)**	14,275	**(18,184)**	13,091
Trade and other payables	**(8,646)**	(26,130)	**4,923**	(11,437)
Total changes in working capital	**(53,278)**	69,501	**(60,241)**	49,423
Cash flows from operations	**(19,055)**	69,945	**(23,504)**	61,303
Profit paid	**(2,036)**	(2,089)	**(1,935)**	(1,990)
Taxes (paid)/refund	**(1,199)**	(3,190)	**1,543**	(2,119)
Net cash flows from operating activities	**(22,290)**	64,666	**(23,896)**	57,194
Investing activities				
Purchase of property, plant and equipment	**(5,675)**	(33,538)	**(3,887)**	(33,140)
Hibah received	**1,206**	1,769	**1,024**	1,421
Proceeds from disposal of property, plant and equipment	**316**	89	**–**	5
Software development costs incurred	**(1,216)**	(2,300)	**–**	–
Investment in a joint venture	**–**	(350)	**–**	(350)
Increase in investment in an associate	**(470)**	–	**(470)**	–
Net proceed from disposal of other investments	**–**	9,287	**–**	9,124
Increase in investment in other investments	**–**	(100)	**–**	(100)
Dividend received	**–**	3,670	**900**	3,670
Net cash flows used in investing activities	**(5,839)**	(21,473)	**(2,433)**	(19,370)
Financing activities				
Proceeds from/(repayment of) loans and borrowings	**19,396**	(57,529)	**19,950**	(50,794)
Repayment of obligations under finance leases	**(541)**	(538)	**(111)**	(105)
Dividends paid to non-controlling interests	**(600)**	–	**–**	–
Deposits uplifted from securities for bank borrowings	**12,360**	21,244	**11,503**	24,639
Profit paid	**(9,752)**	(9,153)	**(8,396)**	(8,321)
Net cash flows generated from/(used) in financing activities	**20,863**	(45,976)	**22,946**	(34,581)
Net (decrease)/increase in cash and cash equivalents	**(7,266)**	(2,783)	**(3,383)**	3,243
Effect of exchange rate changes on cash and cash equivalents	**359**	(583)	**–**	–
Cash and cash equivalents at 1 January	**5,850**	9,216	**(2,006)**	(5,249)
Cash and cash equivalents at 31 December (Note 24)	**(1,057)**	5,850	**(5,389)**	(2,006)

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

Notes to the Financial Statements

31 December 2019

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 2019, 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 2019.

Descriptions	Effective for annual periods beginning on or after
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Venture (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019

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

2.2 Changes in accounting policies (cont'd)

The adoption of the above standards and interpretation did not have any material effect on the financial statements of the Group and of the Company, except as discussed below:

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determine whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard set out the principles f™or the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under MFRS 16 Leases is substantially unchanged from MFRS 117, Lessors will continue to classify leases as either operating or finance leases using similar principles as MFRS 117. Therefore, MFRS 16 does not have an impact leases where the Group is the lessor.

(a) As a lessee

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application date of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of intial application is recognised as an adjustment to the opening retained earnings which the cumulative effect of intial application is recognised as an adjustment to the opening retained earnings at 1 January 2019.

The Group and the Company elected to apply followings practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- Applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application;

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

- Used hindsight in determining the lease term where the the contract contained options to extend or terminate the lease.

The impact of MFRS 16 is as disclosed in Note 13 & 26.

(b) As a lessor

The adoption of MFRS 16 does not have any impact to the financial statements of the Group and the Company as a lessor. There are no contracts that are contain a lease in which the Group expects to reclassify as a finance lease.

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 3 Definition of a Business	1 January 2020
Revised Conceptual Framework for Financial Reporting	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 directors expect that the adoption of the above standards, if applicable will have no material impact on the financial statements of the Group and the Company in the period of initial application.

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.

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;
(ii) Rights arising from other contractual arrangements; and
(iii) 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.

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

2.4 Basis of consolidation (cont'd)

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.

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).

Notes to the Financial Statements

31 December 2019

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

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 and the Company recognise 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%
Machinery, office equipment, furniture and fittings	6% - 20%
Computers and network equipment	25% - 33 ⅓%
Renovation	15%

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.

Notes to the Financial Statements

31 December 2019

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

2.8 Intangible assets (cont'd)

(a) Goodwill (cont'd)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 involvement 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.

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.

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

2.10 Investments in associates and joint ventures (cont'd)

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.

2.11 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 an asset's 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

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 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.

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.

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 (cont'd)

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.

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.

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

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

(b) Financial liabilities (cont'd)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.14 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. For the deposits pledged to secure any bank borrowings, the Group and the Company did not include the deposits as a part of cash and cash equivalents.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

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.

2.20 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that contains a lease component and non-lease components, the Group and the Company allocate the consideration in the contact to each lease and non-lease component on the basis of their relatives stand alone prices.

As a lessee

The Group and the Company apply a single recognition and measurement approach for all lease, except for short term leases and leases of low-value- asset. The Group and the Company recognise lease liablities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group and the Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised. Initial direct costs, incurred, and lease payments made at or before commmencement date less any lease incentives received. Right-of-use assets are depreciated on straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If the ownership of the leased assets transfer to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

2.20 Leases (cont'd)

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liablities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease terms reflects the Group and the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for the short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise lease payments associated with these leases as an expense over the lease term.

(iv) Extension options

The Group and the Company, in applying their judgement, determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Company apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that creates an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

As a lessor

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an assets are classified as operating leases. Rental income arising is accounted for an on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

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.

(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.

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

2.21 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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.

(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 37, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

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

2.26 Revenue from contracts with customers (cont'd)

(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.

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. 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.

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

2.26 Revenue from contracts with customers (cont'd)

(d) Contract costs (cont'd)

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.

(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.

2.27 Discontinued operations

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at lower of carrying amount and fair value less cost to sells. Any differences are recognised in profit or loss.

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) 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.

(b) 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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 Judgements made in applying accounting policies (cont'd)

(b) Revenue from contracts with customers (cont'd)

Consideration of significant financing component in a contract

For contracts involving the system application and development revenue and engineering works 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, investments in subsidiaries and software development expenditure

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 and software development expenditure require an 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 the 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.

The carrying value of goodwill, the key assumptions applied in the impairment assessment of goodwill, impairment of software development expenditure during the year amounting to RM1,620,000 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(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. 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. For more details on segments, please refer to Note 37.

Group

31 December 2019

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	56,601	–	–	56,601
System application and development	122,563	3,383	–	125,946
Maintenance charges	81,676	12,439	–	94,115
Disaster recovery and facility management services	35,406	–	–	35,406
Engineering works	–	10,725	–	10,725
Mailing and document processing services	–	11,681	–	11,681
Database management services	–	7,795	–	7,795
Software support and licence fees	–	2,996	–	2,996
Mobile value added services	–	2,761	–	2,761
Others	8,031	4,766	–	12,797
	247,676	56,546	–	304,222
Total revenue from contracts with customers	304,277	56,546	–	360,823
Geographical markets				
Malaysia	304,277	52,990	–	357,267
Australia	–	2,996	–	2,996
Indonesia	–	560	–	560
Total revenue from contracts with customers	304,277	56,546	–	360,823
Timing of revenue recognition				
Goods transferred at a point in time	8,031	27,003	–	35,034
Services transferred over time	296,246	29,543	–	325,789
Total revenue from contracts with customers	304,277	56,546	–	360,823

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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 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

4. REVENUE (CONT'D)

	2019 RM'000	2018 RM'000
Company		
Type of goods or services		
Malaysian Communications and Multimedia Commission (MCMC) Licensable Activities		
Network related services	**71,850**	51,367
System application and development	**125,946**	59,296
Maintenance charges	**78,866**	95,878
Disaster recovery and facility management services	**35,406**	40,443
Others	**8,031**	6,481
	248,249	202,098
Total revenue from contracts with customers	**320,099**	253,465
Timing of revenue recognition		
Goods transferred at a point in time	**8,031**	6,481
Services transferred over time	**312,068**	246,984
Total revenue from contracts with customers	**320,099**	253,465

Revenue pertaining to the MCMC Licensable Activities refers to those attributable revenue prescribed under the Communication and Multimedia Act (CMA) 1998 Framework. Under the CMA, the provision of network related services and internet data centre services are licensed as Network Services Provider Individual License (NSP (I)) and Application Service Provider Class License (ASP (c)) respectively.

5. OTHER INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Hibah income from fixed deposits with license banks	**1,206**	1,769	**1,024**	1,421
Dividend income from:				
- Other investments	**–**	3,670	**–**	3,670
- Subsidiaries	**–**	–	**900**	–
Gain on disposal of property, plant and equipment	**1**	10	**–**	–
Gain on disposal of other investments	**–**	7,543	**–**	7,543
Rental income	**–**	2,321	**–**	8,491
Management fee income	**–**	–	**–**	3,028
Reversal of impairment loss on trade and other receivables	**6,346**	2,015	**4,100**	–
Realised gain on foreign exchange	**142**	427	**142**	427
Others	**190**	311	**47**	233
	7,885	18,066	**6,213**	24,813

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6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages and salaries	**69,255**	70,266	**55,575**	12,635
Defined contributions plans and social security contributions	**9,301**	9,282	**7,981**	742
Other benefits	**5,263**	5,841	**4,518**	885
	83,819	85,389	**68,074**	14,262

7. DIRECTORS' REMUNERATION

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-executive directors' remuneration:				
Fees	**462**	338	**356**	239
Other emoluments	**1,068**	1,072	**1,050**	1,050
Benefits-in-kind	**79**	71	**79**	71
Total directors' remuneration (Note 9 and 33(b))	**1,609**	1,481	**1,485**	1,360

8. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit expense on:				
Term loan	**193**	1,493	**–**	1,288
Revolving credits	**7,513**	6,867	**7,513**	6,356
Project financing	**1,948**	667	**873**	667
Obligations under finance leases	**98**	126	**10**	10
Obligations under right-of-use	**1,299**	–	**1,139**	–
Bank overdrafts	**1,937**	1,990	**1,935**	1,990
Due to a director of a subsidiary	**99**	99	**–**	–
	13,087	11,242	**11,470**	10,311

9. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amortisation of intangible assets (Note 14)	**1,092**	1,037	**–**	–
Auditors' remuneration				
- Statutory audit	**481**	565	**191**	274
- Other services	**10**	15	**10**	15
Non-executive directors' remuneration (Note 7)	**1,609**	1,481	**1,485**	1,360
Operating lease:				
- Office premises	**443**	5,240	**–**	4,547
- Staff accomodation	**7**	65	**–**	–
- Office equipment	**14**	52	**–**	–
- Motor vehicles	**–**	4	**–**	–
Impairment loss on:				
- Trade receivables (Note 22(a))	**2,440**	1,483	**1,691**	705
- Other receivables (Note 22(d))	**34**	1,708	**34**	5,320
- Investments in subsidiaries	**–**	–	**–**	104
- Investments in associates	**–**	55	**–**	55
- Property, plant and equipment	**–**	736	**–**	–
- Intangible assets (Note 14)	**1,620**	13,556	**–**	–
Reversal of impairment loss on:				
- Contract assets (Note 19)	**–**	(14)	**–**	(14)
- Trade receivables (Note 22(a))	**(6,079)**	(2,015)	**(3,833)**	–
- Other receivables (Note 22(d))	**(267)**	–	**(267)**	–
Depreciation of property, plant and equipment (Note 12)	**11,964**	18,178	**10,073**	17,060
Depreciation of right-of-use assets (Note 13)	**3,009**	–	**2,572**	–
Written off on:				
- Property, plant and equipment (Note 12)	**1,123**	408	**–**	628
- Trade receivables (Note 22(a))	**300**	388	**–**	–
Dividend income (Note 5)	**–**	(3,670)	**(900)**	(3,670)
Unrealised foreign exchange gain	**(168)**	(149)	**(168)**	(149)
Fair value loss on other investments	**–**	100	**–**	100
Provision for onerous contracts	**–**	845	**–**	–

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10. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2019 and 2018 are:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Statements of comprehensive income:				
Current income tax:				
Malaysian income tax	**914**	416	**280**	–
(Over)/underprovision in prior years:				
Malaysian income tax	**(473)**	94	**–**	–
	441	510	**280**	–
Deferred tax (Note 20):				
Relating to origination and reversal of temporary differences	**649**	(297)	**–**	–
(Over)/underprovision in prior years	**(673)**	142	**–**	–
	(24)	(155)	**–**	–
Income tax expense recognised in statement of comprehensive income	**417**	355	**280**	–

10. INCOME TAX EXPENSE (CONT'D)

Reconciliations between tax expense and accounting profit/(loss)

The reconciliations between tax expense and the accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(loss) before tax	**6,636**	(36,431)	**17,089**	(9,606)
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	**1,593**	(8,743)	**4,101**	(2,305)
Effect of difference in tax rates	**(132)**	828	**–**	–
Effect of income not subject to tax	**–**	(2,691)	**(216)**	(2,691)
Effect of expenses not deductible for tax purposes	**1,512**	6,717	**385**	4,271
Utilisation of group relief	**–**	(692)	**–**	–
Deferred tax assets not recognised during the year	**2,524**	4,821	**420**	725
Utilisation of previously unrecognised deferred tax assets	**(4,192)**	(121)	**(4,410)**	–
Share of results of associates	**258**	–	**–**	–
(Over)/underprovision of deferred tax in prior years	**(673)**	142	**–**	–
(Over)/underprovision of income tax in prior years	**(473)**	94	**–**	–
Income tax expense recognised in statement of comprehensive income	**417**	355	**280**	–

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 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. PROFIT/(LOSS) PER SHARE

Basic profit/(loss) per share are calculated by dividing the profit/(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 profit/(loss) per share is calculated by dividing the profit/(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 profit/(loss) per share for the current financial year is equal to basic profit/(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 profit/(loss) and share data used in the computation of basic and diluted profit/(loss) per share for the financial years ended 31 December:

	Group	
	2019 RM'000	**2018 RM'000**
Profit/(loss) attributable to owners of the parent	**7,429**	(27,064)
	Number of shares '000	**Number of shares '000**
Weighted average number of ordinary shares in issue for basic/diluted profit/(loss) per share computation	**101,225**	101,225

	Group	
	2019	**2018**
Basic/diluted profit/(loss) per share (sen per share)	**7.34**	(26.74)

12. 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 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 and 1 January 2019	11,459	50,935	1,517	52,159	168,639	19,910	304,619
Additions	–	1,843	–	1,828	1,999	5	5,675
Written off	–	(122)	–	(4,571)	–	–	(4,693)
Disposals	–	–	(136)	(3,936)	(1,323)	–	(5,395)
Adjustments	–	15,644	–	(15,683)	(3,876)	–	(3,915)
Attributable to asset held for sales	–	–	(119)	(865)	–	–	(984)
Exchange differences	–	58	3	(207)	–	–	(146)
At 31 December 2019	**11,459**	**68,358**	**1,265**	**28,725**	**165,439**	**19,915**	**295,161**

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12. 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 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
Written 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 and 1 January 2019	–	37,381	1,047	37,785	144,406	19,345	239,964
Charge for the year (Note 9)	–	704	165	1,558	9,337	200	11,964
Written off	–	(10)	–	(3,560)	–	–	(3,570)
Disposals	–	–	(85)	(3,673)	(1,322)	–	(5,080)
Attributable to asset held for sales	–	–	(82)	(777)	–	–	(859)
Exchange differences	–	13	4	38	–	–	55
Adjustments	–	6,466	–	(6,502)	(3,879)	–	(3,915)
At 31 December 2019	**–**	**44,554**	**1,049**	**24,869**	**148,542**	**19,545**	**238,559**
Net carrying amount							
At 31 December 2018	11,459	13,554	470	14,374	24,233	565	64,655
At 31 December 2019	**11,459**	**23,804**	**216**	**3,856**	**16,897**	**370**	**56,602**

12. 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 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 and 1 January 2019	9,895	47,058	813	26,249	163,142	20,213	267,370
Additions	–	1,842	–	145	1,895	5	3,887
Adjustments	–	15,644	–	(15,683)	(3,876)	–	(3,915)
At 31 December 2019	**9,895**	**64,544**	**813**	**10,711**	**161,161**	**20,218**	**267,342**
Accumulated depreciation							
At 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 and 1 January 2019	–	36,747	514	15,229	141,281	19,715	213,486
Charge for the year (Note 9)	–	580	123	349	8,829	192	10,073
Adjustments	–	6,466	–	(6,502)	(3,879)	–	(3,915)
At 31 December 2019	**–**	**43,793**	**637**	**9,076**	**146,231**	**19,907**	**219,644**
Net carrying amount							
At 31 December 2018	9,895	10,311	299	11,020	21,861	498	53,884
At 31 December 2019	**9,895**	**20,751**	**176**	**1,635**	**14,930**	**311**	**47,698**

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12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 RM944,000 (2018: RM1,331,000) and RM175,000 (2018: RM298,000) 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	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Freehold land	**9,895**	9,895	**9,895**	9,895
Building	**1,000**	2,656	**–**	–
	10,895	12,551	**9,895**	9,895

13. RIGHT-OF-USE ASSETS

The Group and the Company has lease contracts for building and motor vehicle with contract terms of 3 to 4 years and the lease contracts do not contain variable lease payments.

Upon the adoption of MFRS 16, the Group and the Company had resulted in an increased in accumulated losses of RM327,000 and RM126,000 respectively as at 1 January 2019.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
As at 1 January 2019	**–**	–	**–**	–
Effect of adoption of new pronouncement	**15,352**	–	**14,375**	–
As at 1 January 2019 (restated)	**15,352**	–	**14,375**	–
Additions	**1,297**	–	**–**	–
Depreciation (Note 9)	**(3,009)**	–	**(2,572)**	–
As at 31 December 2019	**13,640**	–	**11,803**	–

13. RIGHT-OF-USE ASSETS (CONT'D)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
As at 1 January 2019	**–**	–	**–**	–
Effect of adoption of new pronouncement	**15,680**	–	**14,501**	–
As at 1 January 2019 (restated)	**15,680**	–	**14,501**	–
Additions	**1,297**	–	**–**	–
Accretion of interest	**1,299**	–	**1,139**	–
Payments	**(3,882)**	–	**(3,308)**	–
As at 31 December 2019	**14,394**	–	**12,332**	–
Current	**2,744**	–	**2,317**	–
Non-current	**11,650**	–	**10,015**	–

The maturity analysis of lease liabilities are disclosed in Note 26.

The following are the amounts recognised in profit or loss:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Depreciation expense of right-of-use assets	**3,009**	–	**2,572**	–
Interest expense on lease liabilities	**1,299**	–	**1,139**	–
Total amount recognised in statement of comprehensive income	**4,308**	–	**3,711**	–

The Group and the Company have several lease contracts that include extension option. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's and the Company's business needs. Management excercises judgement in determining whether these extension option are reasonably certain to be excercised.

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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 2018	21,865	1,153	17,483	40,501
Addition	–	–	2,300	2,300
Written off	–	–	(1,054)	(1,054)
At 31 December 2018 and 1 January 2019	21,865	1,153	18,729	41,747
Addition	–	–	1,216	1,216
Attributable to asset held for sale	–	–	(14,078)	(14,078)
At 31 December 2019	**21,865**	**1,153**	**5,867**	**28,885**
Accumulated amortisation and impairment				
At 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 and 1 January 2019	16,518	1,153	13,921	31,592
Impairment (Note 9)	–	–	1,620	1,620
Amortisation (Note 9)	–	–	1,092	1,092
Attributable to asset held for sale	–	–	(12,782)	(12,782)
At 31 December 2019	**16,518**	**1,153**	**3,851**	**21,522**
Net carrying amount				
At 31 December 2018	5,347	–	4,808	10,155
At 31 December 2019	**5,347**	**–**	**2,016**	**7,363**

14. INTANGIBLE ASSETS (CONT'D)

Company	**Software development costs RM'000**
Cost	
At 1 January 2018, 31 December 2018 and 1 January 2019	1,054
Written off	(1,054)
At 31 December 2019	**–**
Accumulated amortisation	
At 1 January 2018, 31 December 2018 and 1 January 2019	1,054
Written off	(1,054)
At 31 December 2019	**–**
Net carrying amount	
At 31 December 2018	–
At 31 December 2019	**–**

14. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill

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

	Group	
	2019 RM'000	2018 RM'000
Mailing and document processing services	**4,583**	4,583
Mobile value added services	**764**	764
	5,347	5,347

The impairment charge of RM Nil (2018: RM6,770,000) is recorded within other expenses in the consolidated statement of comprehensive income.

The recoverable amount of all the CGUs are based on value in use, except for one (2018: two) CGU(s) that are based on fair value less costs of disposal for the financial year ended 31 December 2019.

(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	
	2019	2018
Mobile value-added services	**1%**	1%

14. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill (cont'd)

(a) Value in use (cont'd)

(iv) Discount rates

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

	Group 2019	Group 2018
Computer software development, sales and support	**13%**	13%
Mobile value-added services	**14%**	14%

<u>Sensitivity to changes in assumptions</u>

The carrying 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.

(b) Fair value less costs of 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 2019 RM'000	Company 2018 RM'000
Unquoted ordinary shares, at cost	**63,258**	63,258
Less: Accumulated impairment losses	**(20,989)**	(20,989)
	42,269	42,269

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15. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest (%) 2019	2018
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
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

15. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name	Country of incorporation	Principal activities	Effective equity interest (%) 2019	Effective equity interest (%) 2018
Held by the Company (cont'd):				
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
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 ("EPCC") services	**100**	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 AlJafree Salihin Kuzaimi PLT.
# Classified as asset held for sale during the current financial year (Note 30).

(a) Internal reorganisation

On 30 May 2019, the business operations of Operating Companies be ceased and all the related business activities are now recorded under HeiTech Padu Berhad commencing 1 January 2019.

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15. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) Material partly-owned subsidiary

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

	2019			2018		
	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	**1,587**	**(8,883)**	**(1,869)**	2,626	(9,338)	(1,727)
Profit/(loss) allocated to NCI	**314**	**(895)**	**(142)**	244	(9,589)	(52)

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

	2019			2018		
	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	**6,957**	**11,068**	**1,933**	8,512	14,649	3,209
Non-current assets	**3,930**	**762**	**1,152**	2,212	–	563
Current liabilities	**(3,587)**	**(24,178)**	**(930)**	2,766	(25,747)	(906)
Non-current liability	**(1,449)**	**(780)**	**–**	1,042	–	–
Equity	**5,851**	**(13,128)**	**2,156**	14,532	(11,098)	2,866
Revenue	**7,795**	**10,725**	**2,761**	7,105	86,013	3,754
Profit/(loss) for the year, representing total comprehensive income	**786**	**(1,827)**	**(711)**	610	(19,570)	(258)
Cashflows from/(used in):						
Operating activities	**2,494**	**(2,105)**	**(1,069)**	1,497	(7,448)	(759)
Investing activities	**(1,431)**	**–**	**(22)**	(119)	(7)	(32)
Financing activities	**(1,809)**	**–**	**–**	(285)	–	–
Net increase/(decrease) in cash and cash equivalents	**(746)**	**(2,105)**	**(1,091)**	1,093	(7,455)	(791)

16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost	**4,930**	4,930	**4,755**	4,755
Addition of investments	**470**	–	**470**	–
Post-acquisition reserves brought forward	**1,668**	4,364	**–**	–
Share of results of the associates	**(939)**	(2,697)	**–**	–
	6,129	6,597	**5,225**	4,755
Less: Accumulated impairment losses	**(4,930)**	(4,930)	**(4,755)**	(4,755)
	1,199	1,667	**470**	–

Name	Country of incorporation	Principal activities	Effective equity interest (%) 2019	2018
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
PT Desa Tech Nusantara. ^	Indonesia	Provision of cooperative system	**49**	–

^ Audited by firms other than AlJafree Salihin Kuzaimi.

(a) Establishment of a joint venture

On 14 November 2019, the Company has established a joint venture with PT Kirana Investama to form a company in Indonesia named PT Desa Tech Nusantara. HeiTech owns 49% of the company's paid-up capital.

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:

	2019			2018		
	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	**20,770**	**2,710**	**3,007**	28,777	1,668	4,048
Non-current assets	**1,211**	**74**	**424**	1,759	77	1,116
Current liabilities	**(18,291)**	**(10,584)**	**(11,806)**	14,352	(9,020)	(10,710)
Non-current liabilities	**(61)**	**–**	**–**	(121,541)	–	–
Equity	**3,629**	**(7,800)**	**(8,375)**	(76,653)	(7,275)	(5,545)
Group's carrying amount of the investment	**3,358**	**(4,354)**	**(1,878)**	4,297	(4,097)	(1,083)
Revenue	**15,356**	**1,970**	**2,466**	20,928	451	2,803
Other income	**–**	**2**	**49**	35	31	14
Administrative expenses	**(18,074)**	**(2,496)**	**(4,504)**	(21,308)	(6,286)	(5,524)
Finance costs	**(433)**	**(1)**	**–**	–	(458)	–
Loss before tax	**(3,151)**	**(525)**	**(1,989)**	(345)	(6,262)	(2,706)
Income tax expense	**(87)**	**–**	**–**	(93)	–	–
Loss for the year, representing total comprehensive loss for the year	**(3,238)**	**(525)**	**(1,989)**	(438)	(6,262)	(2,706)
Group's share of loss for the year	**(939)**	**(257)**	**(796)**	(127)	(3,068)	(1,083)

16. INVESTMENTS IN ASSOCIATES (CONT'D)

Name	Country of incorporation	Principal activities	Effective equity interest (%) 2019	2018
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 AlJafree Salihin Kuzaimi.

17. INVESTMENT IN JOINT VENTURE

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	
	2019 RM'000	**2018 RM'000**
Assets and liabilities:		
Total assets	**316**	480
Total liabilities	**(689)**	(686)
Income and expenses:		
Income	**–**	–
Expenses	**(123)**	(55)

18. OTHER INVESTMENTS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Redeemable convertible preference shares in subsidiaries	**–**	–	**2,140**	2,140
Unquoted equity instruments	**1,334**	1,170	**1,170**	1,170
	1,334	1,170	**3,310**	3,310

19. CONTRACT BALANCES

Information about contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current				
Contract assets	**–**	20,227	**–**	20,227
Current				
Contract assets	**72,582**	45,635	**70,104**	43,350
Contract liabilities	**(3,024)**	(22,770)	**(3,024)**	(21,208)

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 from customers. Contract liabilities are recognised as revenue as the Group performs its obligation under the contract.

(i) Significant changes in contract assets are explained as follows:

	2019	
	Group	**Company**
	RM'000	**RM'000**
Contract asset reclassified to receivables	**(45,635)**	**(70,104)**

(ii) Significant change in contract liabilities is explained as follows:

	2019	
	Group	**Company**
	RM'000	**RM'000**
Revenue recognised that was included in the contract liability balance at the beginning of the year	**21,208**	**1,554**

19. CONTRACT BALANCES (CONT'D)

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 are, as follows:

	2019	
	Group RM'000	**Company RM'000**
Within one year	**188,738**	**188,153**
More than one year	**290,199**	**290,199**
	478,938	**478,352**

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 and 31 December 2019	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 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 and 1 January 2019	1,035	2,498	(3,815)	17	(265)
Recognised in profit or loss (Note 10)	–	–	24	–	24
At 31 December 2019	**1,035**	**2,498**	**(3,791)**	**17**	**(241)**

Deferred tax (assets)/liabilities of the Company:

	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 2018	344	537	(872)	(9)	–
Recognised in profit or loss (Note 10)	643	1,961	(2,613)	9	–
At 31 December 2018 and 1 January 2019	987	2,498	(3,485)	–	–
Recognised in profit or loss (Note 10)	–	–	–	–	–
At 31 December 2019	**987**	**2,498**	**(3,485)**	**–**	**–**

20. DEFERRED TAXATION (CONT'D)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	**(263)**	(286)	**–**	–
Deferred tax assets	**21**	21	**–**	–
	(242)	(265)	**–**	–

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Unabsorbed capital allowances	**1,147**	18,900	**630**	25,131
Unutilised tax losses	**3,286**	3,286	**3,286**	3,286
Other temporary differences	**78,187**	67,382	**78,048**	70,175
	82,620	89,568	**81,964**	98,592

At the reporting date, the Group and the Company have unabsorbed 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 2019 RM'000	Group 2018 RM'000
Cost		
Consumables	**363**	639

During the financial year, the amounts of inventories recognised as expense in bulk mailing processing charges of the Group were RM7,171,000 (2018: RM6,376,000).

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22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables				
Third parties	**98,180**	87,392	**83,981**	67,794
Amounts due from subsidiaries	**–**	–	**27,004**	21,118
Amount due from an associate	**241**	273	**241**	273
Attributable to asset held for sale	**(645)**	–	**–**	–
	97,776	87,665	**111,226**	89,185
Less: Allowance for expected credit losses				
- Third parties	**(24,268)**	(28,175)	**(22,846)**	(24,956)
- Amounts due from subsidiaries	**–**	–	**(5,456)**	(5,456)
- Amount due from an associate	**(241)**	(273)	**(241)**	(273)
	73,267	59,217	**82,683**	58,500
Other receivables				
Amounts due from subsidiaries	**–**	–	**20,970**	14,539
Amount due from an associate	**41**	41	**41**	41
Deposits	**1,609**	2,147	**1,256**	1,610
Sundry receivables	**27,809**	25,627	**26,259**	23,785
Attributable to asset held for sale	**(3)**	–	**–**	–
	29,456	27,815	**48,526**	39,975
Less: Allowance for expected credit losses				
- Sundry receivables	**(23,660)**	(23,893)	**(23,199)**	(23,438)
- Amounts due from subsidiaries	**–**	–	**(5,786)**	(5,780)
- Amount due from an associate	**(41)**	(41)	**(41)**	(41)
	5,755	3,881	**19,500**	10,716
Total trade and other receivables	**79,022**	63,098	**102,183**	69,216

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days (2018: 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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At 1 January	**28,448**	25,586	**30,685**	27,833
Effects of adoption of MFRS 9	**–**	3,782	**–**	2,147
	28,448	29,368	**30,685**	29,980
Provision for expected credit losses (Note 9)	**2,440**	1,483	**1,691**	705
Reversal of impairment loss (Note 9)	**(6,079)**	(2,015)	**(3,833)**	–
Written-off (Note 9)	**(300)**	(388)	**–**	–
At 31 December	**24,509**	28,448	**28,543**	30,685

(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

Amount 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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At 1 January	**23,934**	23,556	**29,259**	24,280
Effects of adoption of MFRS 9	**–**	(1,330)	**–**	(341)
	23,934	22,226	**29,259**	23,939
Provision for expected credit losses (Note 9)	**34**	1,708	**34**	5,320
Reversal of impairment loss (Note 9)	**(267)**	–	**(267)**	–
At 31 December	**23,701**	23,934	**29,026**	29,259

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23. CONTRACT COSTS ASSETS

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Capitalised fulfilment costs		
At 1 January	**35,274**	67,569
Effects of adoption of MFRS 15	**–**	(11,244)
Capitalised during the year	**39,215**	–
	74,489	56,325
Recognised in profit or loss	**(35,580)**	(21,051)
At 31 December	**38,909**	35,274

24. CASH AND BANK BALANCES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash at banks and on hand	**12,931**	20,316	**7,295**	12,186
Deposits with licensed banks	**34,516**	46,876	**28,543**	40,046
Attributable to asset held for sale	**(314)**	–	**–**	–
Cash and bank balances	**47,133**	67,192	**35,838**	52,232

Deposits with licensed banks of the Group and of the Company amounting to RM34,516,000 (2018: RM46,876,000) and RM28,543,000 (2018: RM40,046,000) respectively are pledged as securities for loans and borrowings (Note 25).

Deposits with licensed banks earn profit at the respective deposit rates. The weighted average effective profit rate as at 31 December 2019 for the Group and for the Company was 2.49% (2018: 2.49%) per annum and 3.15% (2018: 3.15%) per annum respectively. The average days to maturity period as at 31 December 2019 for the Group and for the Company were 124 days (2018: 124 days) and 148 days (2018: 148 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	**47,133**	67,192	**35,838**	52,232
Less: Bank overdrafts (Note 25)	**(13,674)**	(14,466)	**(12,684)**	(14,192)
	33,459	52,726	**23,154**	38,040
Deposits with licensed banks with maturity more than 3 months	**–**	–	**–**	–
Deposits pledged as securities for bank borrowings	**(34,516)**	(46,876)	**(28,543)**	(40,046)
Cash and cash equivalents	**(1,057)**	5,850	**(5,389)**	(2,006)

25. LOANS AND BORROWINGS

	Maturity	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current					
Secured:					
Term loan	2020	**898**	884	**–**	–
Bank overdrafts	On demand	**13,674**	14,466	**12,684**	14,192
Revolving credits	2020	**82,241**	62,251	**82,241**	62,547
Contract financing	2020	**11,610**	11,354	**11,610**	11,354
Obligations under finance leases (Note 31(b))	2020	**500**	470	**117**	113
Attributable to asset held for sale		**(47)**	–	**–**	–
		108,876	89,425	**106,652**	88,206
Non-current					
Secured:					
Term loan	2021 - 2023	**2,772**	3,636	**–**	–
Obligations under finance lease (Note 31(b))	2021	**437**	1,009	**41**	156
		3,209	4,645	**41**	156
Total loans and borrowings		**112,085**	94,070	**106,693**	88,362

25. LOANS AND BORROWINGS (CONT'D)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Maturity of loans and borrowings:				
Within one year	**108,759**	89,425	**106,536**	88,206
More than 1 year and less than 2 years	**1,424**	1,354	**116**	116
More than 2 years and less than 5 years	**1,902**	3,291	**41**	40
	112,085	94,070	**106,693**	88,362

Term loan

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Term loan 1	**3,670**	4,520	**–**	–
	3,670	4,520	**–**	–

Term loan 1 is drawndown by Inter-City MPC (M) Sdn. Bhd. in relation to the acquisition of Pro Office Solutions Sdn. Bhd.

Term loan 1 is secured by the following:

- First legal charge over a building of the subsidiary as disclosed in Note 12;

- Joint and several guarantee by certain directors.

The weighted average effective interest rate of term loan of the Group was 4.65% (2018: 6.0%) per annum. The repayment of the Group's term loan is due from 2020 to 2023.

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 7.91% (2018: 7.5% 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 5.13% (2018: 5.42%) per annum.

25. LOANS AND BORROWINGS (CONT'D)

A reconciliation of liabilities arising from the Group's financing activities excluding bank overdrafts is as follows:

		Cash changes		Non-cash changes			
Group	**1 January 2019 RM'000**	**Cash flows RM'000**	**Profit paid RM'000**	**Accretion of profit RM'000**	**New leases RM'000**	**Others* RM'000**	**31 December 2019 RM'000**
Term loan							
- non-current	**3,636**	**(864)**	**(193)**	**193**	**–**	**–**	**2,772**
- current	**884**	**14**	**–**	**–**	**–**	**–**	**898**
Revolving credits	**62,251**	**19,990**	**(7,513)**	**7,513**	**–**	**–**	**82,241**
Project financing	**11,354**	**256**	**(1,948)**	**1,948**	**–**	**–**	**11,610**
Obligations under finance leases							
- non-current	**1,009**	**–**	**(7)**	**7**	**–**	**(572)**	**437**
- current	**470**	**(541)**	**(91)**	**91**	**–**	**524**	**453**
Total	**79,604**	**18,855**	**(9,752)**	**9,752**	**–**	**(48)**	**98,411**

		Cash changes		Non-cash changes			
	1 January 2018 RM'000	**Cash flows RM'000**	**Profit paid RM'000**	**Accretion of profit RM'000**	**New leases RM'000**	**Others* RM'000**	**31 December 2018 RM'000**
Term loan							
- 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

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25. LOANS AND BORROWINGS (CONT'D)

Company	1 January 2019 RM'000	Cash changes: Cash flows RM'000	Cash changes: Profit paid RM'000	Non-cash changes: Accretion of profit RM'000	Non-cash changes: New leases RM'000	Non-cash changes: Others* RM'000	31 December 2019 RM'000
Term loans							
- non-current	–	–	–	–	–	–	–
- current	–	–	–	–	–	–	–
Revolving credits	62,547	19,694	(7,513)	7,513	–	–	82,241
Project financing	11,354	256	(873)	873	–	–	11,610
Obligations under finance leases							
- non-current	156	–	(7)	7	–	(115)	41
- current	113	(111)	(3)	3	–	115	117
Total	74,170	19,839	(8,396)	8,396	–	–	94,009

	1 January 2018 RM'000	Cash changes: Cash flows RM'000	Cash changes: Profit paid RM'000	Non-cash changes: Accretion of profit RM'000	Non-cash changes: New leases RM'000	Non-cash changes: Others* RM'000	31 December 2018 RM'000
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

* The 'other' column relates to reclassification of non-current portion of loans and borrowings due to passage of time.

26. LEASE LIABILITY

		Group		Company	
	Maturity	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current					
Obligations under right-of-use asset (Note 31(c))	2020	**2,744**	–	**2,317**	–
		2,744	–	**2,317**	–
Non-current					
Obligations under right-of-use asset (Note 31(c))	2021 - 2015	**11,650**	–	**10,015**	–
		11,650	–	**10,015**	–
Total lease liability		**14,394**	–	**12,332**	–

The remaining maturities of lease liability as at 31 December are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Maturity of lease liability:				
Within one year	**2,744**	–	**2,317**	–
More than 1 year and less than 2 years	**2,866**	–	**2,406**	–
More than 2 years and less than 5 years	**8,784**	–	**7,609**	–
	14,394	–	**12,332**	–

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables				
Third parties	**50,930**	64,444	**35,442**	41,969
Amounts due to subsidiaries	**–**	–	**66,152**	58,419
Amount due to an associate	**380**	1,118	**380**	1,118
	51,310	65,562	**101,974**	101,506
Other payables				
Amount due to directors of a subsidiary	**5,625**	3,466	**–**	–
Amount due to a related party	**–**	355	**–**	355
Deposits	**1,355**	614	**1,355**	614
Accruals	**17,239**	13,751	**13,926**	13,041
Sundry payables	**11,118**	9,537	**7,892**	4,708
Attributable to asset held for sale	**(2,008)**	–	**–**	–
	33,329	27,723	**23,173**	18,718
Total trade and other payables	**84,639**	93,285	**125,147**	120,224

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2018: 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.

28. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2019	2018	2019	2018
	'000	'000	RM'000	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.

29. FOREIGN CURRENCY TRANSLATION RESERVE

	Group	
	2019	2018
	RM'000	RM'000
At 1 January	**(1,023)**	(331)
Other comprehensive income:		
Foreign currency translation	**158**	(692)
At 31 December	**(865)**	(1,023)

The foreign currency translation reserve represents exchange differences arising from translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

30. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE / LIABILITIES DIRECTLY ASSOCIATED WITH DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

This is in relation to dispose a 100% owned subsidiary, Cinix 1 Pty Ltd (“CINIX”). The acquisition process has yet to be completed and management has confirmed that the planned is in process of finalising the terms in sales and purchase agreements which is expected to be completed in 2020.

As at 31 December 2019, the assets and liabilities related to CINIX have been presented in the statement of financial position as “Assets of disposal group classified as held for sale” and “Liabilities directly associated with disposal group classified as held for sale”.

Below are the significant assets and liabilities classified as held for sale.

	Group 2019 RM’000
Assets of disposal group classified as held for sale	
Property, plant and equipments	**125**
Intangible assets	**1,296**
Cash and bank balances	**314**
Trade and other receivables	**647**
	2,382
Liabilities directly associated with disposal group classified as held for sale	
Trade and other payables	**2,008**
Borrowings	**47**
	2,055
Net assets directly associated with disposal group classified as held for sale	**327**

31. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group and Company 2019 RM'000	Group and Company 2018 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	**14,769**	1,670
Approved but not contracted for:		
Property, plant and equipment	**1,447**	52

(b) Finance lease commitments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Minimum lease payments:				
Not later than 1 year	**551**	548	**123**	123
Later than 1 year but not later than 2 years	**422**	548	**41**	123
Later than 2 years but not later than 5 years	**32**	532	**–**	38
Total minimum lease payments	**1,005**	1,628	**164**	284
Less: Future finance charges	**(68)**	(149)	**(6)**	(15)
Present value of minimum lease payments	**937**	1,479	**158**	269
Analysis of present value of finance lease liabilities:				
Not later than 1 year	**500**	470	**117**	113
Later than 1 year but not later than 2 years	**405**	498	**41**	118
Later than 2 years but not later than 5 years	**32**	511	**–**	38
	937	1,479	**158**	269
Less: Amount due within 12 months	**(500)**	(470)	**(117)**	(113)
Amount due after 12 months	**437**	1,009	**41**	156

The Group has entered into hire purchase agreements for property, plant and equipment as disclosed in Note 12. The hire purchase payable of the Group and of the Company bore effective interest rate of 4.07% - 5.12% (2018: 4.07% - 5.12%) per annum and 4.75% (2018: 4.75%) per annum respectively.

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31. COMMITMENTS (CONT'D)

(c) Lease liability commitments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Minimum lease payments:				
Not later than 1 year	3,862	–	3,286	–
Later than 1 year but not later than 2 years	3,769	–	3,193	–
Later than 2 years but not later than 5 years	10,124	–	8,793	–
Total minimum lease payments	17,755	–	15,272	–
Less: Future finance charges	(3,361)	–	(2,940)	–
Present value of minimum lease payments	14,394	–	12,332	–
Analysis of present value of finance lease liabilities:				
Not later than 1 year	2,744	–	2,317	–
Later than 1 year but not later than 2 years	2,866	–	2,406	–
Later than 2 years but not later than 5 years	8,784	–	7,609	–
	14,394	–	12,332	–
Less: Amount due within 12 months	(2,744)	–	(2,317)	–
Amount due after 12 months	11,650	–	10,015	–

The Group has entered into rental agreement for building and motor vehicles as disclosed in Note 13. The lease liability payable of the Group and of the Company bore effective interest rate of 7.86% (2018: Nil)

(d) Financial guarantee

	Company	
	2019 RM'000	2018 RM'000
Unsecured:		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	13,450	13,450

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 shareholder funds to meet their obligations as and when they fall due.

32. 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 20 to 24 April 2020. However, due to the Movement Control Order announced by the government, the trial date has been postponed to 15 June 2020 and it is still subject to the approval by the Court.

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.

33. 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:

	2019 RM'000	2018 RM'000
Group		
Services provided to Permodalan Nasional Berhad (PNB), a corporate shareholder of the Company:		
- Network related services	**(7,044)**	(6,746)
Services provided to Amanah Saham Nasional Berhad, a fund manager of PNB	**(21,485)**	(20,788)
Rental income of office space receivable from PNB	**–**	(628)
Rental expenses of building payable to PNB	**2,783**	4,882
Company		
Cost of services rendered by subsidiaries	**–**	230,182
Rental expenses of building payable to PNB	**2,783**	4,882
Dividend income received from subsidiaries	**900**	–
Rental income of equipment receivable from subsidiaries	**–**	(4,253)
Rental income of office space receivable from PNB	**–**	(628)
Office rental receivable from a subsidiary	**–**	(210)

33. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term employee benefits	**1,567**	1,754	**1,567**	1,754
Defined contribution plan	**172**	188	**172**	188
	1,739	1,942	**1,739**	1,942

Included in the total key management personnel is:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' remuneration (Note 7)	**1,609**	1,481	**1,485**	1,360

34. 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 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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.

(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 (2018: RM13,450,000) relating to corporate guarantees provided by the Company on two (2018: two) subsidiaries' bank loan.

Credit risk concentration

At the reporting date, approximately 86% (2018: 83%) 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.

34. 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 2019			
Financial liabilities:			
Trade and other payables	**84,639**	**–**	**84,639**
Loans and borrowings	**109,118**	**3,260**	**112,378**
Total undiscounted financial liabilities	**193,757**	**3,260**	**197,017**
31 December 2018			
Financial liabilities:			
Trade and other payables	93,285	–	93,285
Loans and borrowings	89,594	4,938	94,532
Total undiscounted financial liabilities	182,879	4,938	187,817
Company			
31 December 2019			
Financial liabilities:			
Trade and other payables	**125,147**	**–**	**125,147**
Loans and borrowings	**106,648**	**41**	**106,689**
Total undiscounted financial liabilities	**231,795**	**41**	**231,836**
31 December 2018			
Financial liabilities:			
Trade and other payables	120,224	–	120,224
Loans and borrowings	88,206	284	88,490
Total undiscounted financial liabilities	208,430	284	208,714

34. 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 profit/(loss) net of tax would have been RM192,000 (2018: RM174,000) higher/lower and RM169,000 (2018: RM159,000) 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.

35. 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
2019					
Financial liability					
Loans and borrowings (non-current)					
- Term loan	**25**	**2,772**	**3,171**	**–**	**–**
- Obligations under finance leases	**25**	**437**	**892**	**41**	**144**
2018					
Financial liability					
Loans and borrowings (non-current)					
- Term loan	25	3,636	16,650	–	12,921
- Obligations under finance leases	25	1,009	1,315	156	274

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	27

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.

36. 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 shareholders' 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 2019 and 31 December 2018.

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	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Loans and borrowings	25	**112,085**	94,070	**106,693**	88,362
Trade and other payables	27	**84,639**	93,285	**125,147**	120,224
Less: Cash and bank balances	24	**(47,133)**	(67,192)	**(35,838)**	(52,232)
Net debt		**149,591**	120,163	**196,002**	156,354
Equity attributable to owners of the parent, representing total capital		**113,215**	105,955	**108,619**	91,936
Capital and net debt		**262,806**	226,118	**304,621**	248,290
Gearing ratio		**57%**	53%	**64%**	63%

Notes to the Financial Statements

31 December 2019

37. 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

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.

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.

37. SEGMENT INFORMATION (CONT'D)

	Core 1		Core 2		Core 3		Adjustments and eliminations		Notes	Consolidated financial statements	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000		2019 RM'000	2018 RM'000
Revenue:											
External sales	**303,519**	258,094	**57,304**	121,352	**–**	–	**–**	–		**360,823**	379,446
Inter-segment	**–**	216,832	**–**	12,457	**–**	–	**–**	(229,289)		**–**	–
Total	**303,519**	474,926	**57,304**	133,809	**–**	–	**–**	(229,289)		**360,823**	379,446
Results:											
Finance costs	**(11,470)**	(10,914)	**(1,617)**	(328)	**–**	–	**–**	–		**(13,087)**	(11,242)
Hibah income	**1,024**	1,422	**182**	347	**–**	–	**–**	–		**1,206**	1,769
Depreciation and amortisation	**(12,644)**	(14,833)	**(3,421)**	(4,382)	**–**	–	**–**	–		**(16,065)**	(19,215)
Other non-cash items	**(2,016)**	(8,416)	**719**	(7,466)	**–**	–	**–**	–	A	**(1,297)**	(15,882)
Share of results of associates	**(939)**	(2,697)	**–**	–	**–**	–	**–**	–		**(939)**	(2,697)
Profit/(loss) before tax	**11,135**	9,470	**(4,050)**	(33,385)	**–**	–	**(449)**	(12,516)	B	**6,636**	(36,431)
Assets:											
Investments in associates	**470**	–	**–**	–	**–**	–	**729**	1,667		**1,199**	1,667
Additions to non-current assets	**4,358**	33,489	**3,003**	2,699	**–**	–	**–**	–	C	**7,361**	36,188
Segment assets	**355,812**	391,429	**218,346**	64,546	**–**	–	**(249,368)**	(142,413)	D	**324,790**	313,562
Liabilities:											
Segment liabilities	**247,193**	154,666	**81,323**	46,848	**–**	–	**(111,700)**	(9,525)	E	**216,817**	211,039

Notes to the Financial Statements

31 December 2019

37. SEGMENT INFORMATION (CONT'D)

Notes	Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Other material non-cash items consist of the following items as presented in the respective notes to the financial statements:

	Note	2019 RM'000	2018 RM'000
Impairment loss on intangible assets	9	**1,620**	13,556
Impairment loss on trade and other receivables	9	**2,474**	3,191
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	**(6,346)**	(2,015)
Property, plant and equipment written off	9	**1,123**	408
Unrealised foreign exchange gain	9	**(168)**	(149)
Fair value loss on other investments	9	**–**	100
		(1,297)	15,882

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

	2019 RM'000	2018 RM'000
Expenses from inter-segment	**13,577**	1,423
Share of results of associates	**(939)**	(2,697)
Finance costs	**(13,087)**	(11,242)
	(449)	(12,516)

37. SEGMENT INFORMATION (CONT'D)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

C Additions to non-current assets consist of:

	2019 RM'000	2018 RM'000
Property, plant and equipment	**5,675**	33,538
Intangible assets	**1,216**	2,300
Investment in a joint venture	**–**	350
Investment in an associate	**470**	–
	7,361	36,188

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

	2019 RM'000	2018 RM'000
Inter-segment assets	**(252,440)**	(145,348)
Investment in a joint venture	**–**	350
Deferred tax assets	**21**	21
Tax recoverable	**3,051**	2,564
	(249,368)	(142,413)

Notes to the Financial Statements

31 December 2019

37. 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 liabilities to arrive at total liabilities reported in the consolidated statement of financial position:**

	2019 RM'000	2018 RM'000
Inter-segment liabilities	**(226,792)**	(104,509)
Loan and borrowings	**112,085**	94,070
Deferred tax liabilities	**263**	286
Tax payable	**2,744**	628
	(111,700)	(9,525)

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
By country:				
Malaysia	**357,267**	375,687	**74,432**	68,118
Australia	**2,996**	3,303	**1,421**	3,793
Indonesia	**560**	456	**1,752**	2,899
	360,823	379,446	**77,605**	74,810

37. SEGMENT INFORMATION (CONT'D)

Non-current assets information presented consist of the following items as presented in the consolidated statement of financial position:

	2019 RM'000	2018 RM'000
Property, plant and equipment	**56,602**	64,655
Right-of-use assets	**13,640**	–
Intangible assets	**7,363**	10,155
	77,605	74,810

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.

38. SUBSEQUENT EVENTS

Events subsequent to the reporting date are as follows:

- On 3 February 2020, the Company has accepted an offer to dispose a subsidiary in Australia, Cinix 1 Pty Limited for a total consideration of RM1,813,170.

- On 22 April 2020, the Company secured a contract for supplying, delivering, installing, testing, integrating, and commissioning of hardware and software upgrade of National Registration Department ("JPN"). The contract value is RM19,900,000 for a period of 24 months commencing from 1 May 2020 to 30 April 2022.

- The Covid-19 pandemic has impacted significantly on the global and domestic economies and it is expected to have an adverse impact on the results of the Group and the Company for the financial year ending 31 December 2020. However, at this juncture, management is unable to reliably estimate the financial impact arising from this unprecedented circumstances. The Group and the Company is implementing timely and appropriate measures to minimise the impact.

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 14 May 2020.

40. COMPARATIVE FIGURE

The comparative figures are audited by another firm of Chartered Accountants other than AlJafree Salihin Kuzaimi PLT.

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 2019 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 120 to 207.

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 2019, 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.

Key audit matters	How our audit addressed the key audit matters
1) 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. The Group's accounting policies and disclosures on revenue recognition based on percentage of completion method are disclosed in respectively to the financial statements.	Our procedures included, amongst others: - We walked through the process and test the Groups' internal controls on the revenue recognition and tested the operating effectiveness of the controls; - We have agreed the contract price in the input method calculation to the latest contract and variation orders; - We have agreed the budget in the percentage of completion calculation to the budget approved by the Procurement Committee Members ("PCM"); - We evaluated the appropriateness of the basis of the approved budget by the PCM with the management and discussed and challenged the significant basis applied in their budget; - We have selected samples based on materiality to vouch for the actual cost incurred during the year to ensure existence and completeness of the percentage of completion; - We have obtained the statement of account from active creditors to ensure the completeness of the actual cost recorded; - We have agreed the revenue recognised during the year to the actual billings to the customers subsequent to the year end to ensure the completeness of the revenue recognised during the year; and - We have re-calculated the percentage of completion to ensure mathematical accuracy.

Independent Auditors' Report

to the members of HeiTech Padu Berhad (Incorporated in Malaysia)

Key audit matters	How our audit addressed the key audit matters
2) Impairment of intangible assets and property, plant and equipment During the year, the Group recorded profit after tax as compared to the previous financial year, however, 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 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 costs 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.	Our procedures included, amongst others: (i) In reviewing the impairment assessments based on VIU model, our procedures included, amongst others: - We 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; - We 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; - We performed sensitivity analysis on the key inputs of the cash flow projections and challenged management on the outcome of the assessment; and - We assessed the appropriateness of the disclosures in the notes to the financial statements.

Key audit matters	How our audit addressed the key audit matters
2) Impairment of intangible assets and property, plant and equipment (cont'd) The Group allocated its goodwill to 2 CGUs and estimated the recoverable amount of one of its CGUs based on VIU method, and another one CGU 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. Arising from the impairment assessment of the intangible assets, the Group recognised impairment loss on its intangible assets amounting to RM1,620,000. Refer to the disclosures of intangible assets and property, plant and equipment in Note 14 and Note 12 to the financial statements respectively.	Our procedures included, amongst others: (cont'd) (ii) In reviewing the impairment assessment based on FVLCD, our procedures included, amongst others: - We obtained the latest market value of the intangible assets (ie, via purchase considerations from third party) and compared it against the carrying amount of the intangible assets; - We re-calculated the impairment assessment for mathematical accuracy; - We 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; and - We evaluated the objectivity, independence and expertise of the management expert by inquiring the management experts regarding the years of experience and qualifications.

Independent Auditors' Report

to the members of HeiTech Padu Berhad (Incorporated in Malaysia)

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 2019, 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 2019, 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:

- 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.

The financial statements of the Group and the Company for the year ended 31 December 2018 were audited by another auditors whom have expresssed an unmodified opinion on 29 April 2019.

ALJAFREE SALIHIN KUZAIMI PLT
AF: 1522
CHARTERED ACCOUNTANTS

AHMAD ALJAFREE BIN MOHD RAZALLI
No. 01768/05/2021 J
CHARTERED ACCOUNTANT

Dated: 14 May 2020

Selangor, Malaysia

List of Properties

As at 31 December 2019

Location	Description	Land/ Build-up Area	Current Usage	Land/ Tenure	Net Book Value as at 31.12.2019	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	RM6.74 Million	16 November 2018

Shareholding Analysis

DIRECTORS' SHAREHOLDING AS AT 30TH APRIL 2020

No.	Name of Directors	Total Shareholdings
1	Dato' Sri Mohd Hilmey Bin Mohd Taib	6,390,184
2	Dato' Mohd Fadzli Bin Yusof	–
3	Dato' Haji Ghazali Bin Awang	–
4	Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor	–
5	Datuk Mohd Radzif Bin Mohd Yunus	–
6	Datuk Jayakumar A/L Panneer Selvam	–
7	Sulaiman Hew Bin Abdullah	–
8	Wan Ainol Zilan Binti Abdul Rahim	–
	Total	**6,390,184**

SUBSTANTIAL SHAREHOLDERS AS AT 30TH APRIL 2020

No.	Name	ID Number	No of Shares/ Securities	Holding Percentage
1	Padujade Corporation Sdn Bhd	199701014408 (429904-x)	25,149,828	24.845
2	Asia Internet Holdings Sdn Bhd	199801007297 (463424-w)	10,515,200	10.388
3	Permodalan Nasional Berhad	197801001190 (38218-x)	7,040,400	6.955
4	Mohd Hilmey Bin Mohd Taib	530531-06-5291	6,390,184	6.312
	Total		**49,095,612**	**48.5**

ANALYSIS BY SIZE OF HOLDINGS AS AT 30TH APRIL 2020

Size of Shareholdings	No of Shareholders/ Depositors	Holder Percentage	No of Shares/ Securities	Holding Percentage
1-99	404	11.896	12,851	0.012
100-1,000	621	18.286	375,779	0.371
1,001-10,000	1,778	52.355	7,507,091	7.416
10,001-100,000	528	15.547	16,398,889	16.200
100,001 and above	65	1.913	76,930,690	75.999
Total	**3,396**	**100**	**101,225,300**	**100**

THIRTY (30) LARGEST SHAREHOLDINGS AS AT 30TH APRIL 2020

No.	Name	Shares	Percentage
1	Padujade Corporation Sdn Bhd	25,149,828	24.845
2	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Asia Internet Holdings Sdn Bhd	8,532,000	8.428
3	Permodalan Nasional Berhad	7,040,400	6.955
4	Mohd Hilmey Bin Mohd Taib	6,390,184	6.312
5	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Affin Hwang Asset Management Berhad	4,995,000	4.934
6	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ahmad Nazri Bin Abdullah	3,194,400	3.155
7	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Asia Internet Holdings Sdn Bhd	1,983,200	1.959
8	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Hong Sing	1,669,000	1.648
9	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Hong Sing	1,249,700	1.234
10	Safiee Bin Mohammad	1,012,045	0.999
11	Lee Kek Ming	1,000,000	0.987
12	Ong Hung Hock	1,000,000	0.987
13	Quek Tee Kiam	930,000	0.918
14	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Edisi Firma Sdn Bhd	913,600	0.902
15	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Song Soon Hee	900,000	0.889
16	AIX Shares Sdn Bhd	803,500	0.793
17	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sheah Kok Fah	580,000	0.572
18	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for Barclays Capital Securities Ltd	454,700	0.449
19	Wan Zaidi Bin Wan Jaafar	445,795	0.440
20	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Leang Kok	434,300	0.429
21	Lau Yew Won	430,000	0.424
22	Kamsiah Binti Abu	360,190	0.355
23	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeo Wee Tat	350,000	0.345
24	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Manimegalai A/P Kolandan	300,000	0.296
25	Maybank Nominees (Tempatan) Sdn Bhd Chan Chun Loon	300,000	0.296
26	Goh Siang Giang	292,700	0.289
27	Che Ngah Bin Ibrahim	289,681	0.286
28	Lee Kok Hin	275,600	0.272
29	Song Soon Hee	270,000	0.266
30	Mariam Binti Haron	252,405	0.249
	Total	**71,798,228**	**70.913**

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