



HEITECH PADU BERHAD

[Registration No. 199401024950 (310628-D)]

(Incorporated in Malaysia)

**Unaudited Interim Financial Report
For the Quarter and Period Ended 31 March 2023**

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2023

	Individual Quarter		Cumulative Quarter	
	2023	2022	2023	2022
	Current quarter ended 31 March	Comparative quarter ended 31 March	3 months cumulative to date	Comparative 3 months cumulative to date
	RM'000	RM'000	RM'000	RM'000
Revenue	71,546	78,600	71,546	78,600
Other Income	170	413	170	413
Total Income	<u>71,716</u>	<u>79,013</u>	<u>71,716</u>	<u>79,013</u>
Employee Benefits Expense	(22,843)	(19,247)	(22,843)	(19,247)
Purchase of Hardware and Software	(22,281)	(32,996)	(22,281)	(32,996)
Telecommunication Costs	(5,577)	(4,536)	(5,577)	(4,536)
Software License and Hardware Maintenance Cost	(1,090)	(4,660)	(1,090)	(4,660)
Bulk Mailing Processing Charges	(1,996)	(2,072)	(1,996)	(2,072)
Depreciation and amortisation	(3,370)	(3,467)	(3,370)	(3,467)
Project Implementation Costs	(9,450)	(5,864)	(9,450)	(5,864)
Other Expenses	(7,052)	(4,694)	(7,052)	(4,694)
Total Expenditure	<u>(73,659)</u>	<u>(77,536)</u>	<u>(73,659)</u>	<u>(77,536)</u>
(Loss)/profit before Finance Cost	(1,943)	1,477	(1,943)	1,477
Finance Cost	(1,172)	(824)	(1,172)	(824)
Share of Results of Associated Companies	(53)	(43)	(53)	(43)
(Loss)/profit before tax	<u>(3,168)</u>	<u>610</u>	<u>(3,168)</u>	<u>610</u>
Taxation	(176)	(55)	(176)	(55)
(Loss)/profit for the period	<u>(3,344)</u>	<u>555</u>	<u>(3,344)</u>	<u>555</u>
(Loss)/profit attributable to:				
Equity holders of the Parent	(3,264)	667	(3,264)	667
Non-controlling interests	(80)	(112)	(80)	(112)
	<u>(3,344)</u>	<u>555</u>	<u>(3,344)</u>	<u>555</u>
Number of Ordinary Shares	101,225	101,225	101,225	101,225
(Loss)/profit per share attributable to equity holders of the parents:				
Basic (loss)/profit for the period	(3.22)	0.66	(3.22)	0.66
Unaudited Condensed Consolidated Statement of Comprehensive Income				
Shareholders' Funds	(3,344)	555	(3,344)	555
Foreign currency translation	(155)	88	(155)	88
Total comprehensive (loss)/profit	<u>(3,499)</u>	<u>643</u>	<u>(3,499)</u>	<u>643</u>
Total comprehensive (loss)/profit attributable to:				
Equity holders of the Parent	(3,419)	755	(3,419)	755
Minority Interest	(80)	(112)	(80)	(112)
	<u>(3,499)</u>	<u>643</u>	<u>(3,499)</u>	<u>643</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Accounts for the year ended 31/12/2022. The document forms part of quarterly announcement for quarter ended 31/03/2023.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Unaudited 2023	Audited 2022
	As at 31 March	As at 31 December
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	50,111	49,744
Right-of-use assets	6,140	7,131
Intangible assets	14,318	14,289
Investment in associates	1,127	1,180
Investment in joint venture	350	350
Other investments	3,080	3,080
Contract cost assets	32,159	33,883
TOTAL NON-CURRENT ASSETS	107,285	109,657
CURRENT ASSETS		
Inventories	232	235
Trade and other receivables	42,728	31,674
Contract assets	48,261	55,006
Contract costs assets	55,756	53,662
Prepayments	611	623
Tax recoverable	3,998	4,016
Cash and bank balances	49,934	40,605
	201,520	185,821
Asset classified as held for sale	1,435	1,492
TOTAL CURRENT ASSETS	202,955	187,313
CURRENT LIABILITIES		
Contract liabilities	6,367	5,868
Loans and borrowings	109,603	97,124
Trade and other payables	77,965	72,251
Tax payable	56	200
Lease liability	3,807	3,876
TOTAL CURRENT LIABILITIES	197,798	179,319
NET CURRENT ASSETS	5,157	7,994
	112,442	117,651
FINANCED BY:		
Share capital	117,751	117,751
Foreign currency translation reserve	(1,048)	(893)
Accumulated losses	(32,354)	(29,090)
Shareholders' equity	84,349	87,768
Non-controlling interests	8,983	9,063
Shareholders' Funds	93,332	96,831
<u>Long Term Liabilities</u>		
Deferred tax liabilities	76	75
Long term borrowings	15,853	16,526
Lease liability	3,181	4,219
Non-current liabilities	19,110	20,820
	112,442	117,651
Net asset per share attributable to ordinary equity holders of the parent (RM)	0.69	0.73

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Accounts for the year ended 31/12/2022. The document forms part of quarterly announcement for quarter ended 31/03/2023.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2023

	<u>Non -Distributable</u>		<u>Distributable</u>	Total	Non- Controlling Interests	Total
	Share capital	Foreign Currency Translation Reserve	(Accumulated losses)/ Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
For the period ended 31 March 2023						
At 1 January 2023	117,751	(893)	(29,090)	87,768	9,063	96,831
Total comprehensive loss for the period	-	(155)	(3,264)	(3,419)	(80)	(3,499)
At 31 March 2023	<u>117,751</u>	<u>(1,048)</u>	<u>(32,354)</u>	<u>84,349</u>	<u>8,983</u>	<u>93,332</u>
For the period ended 31 March 2022						
At 1 January 2022	117,751	(1,239)	(19,221)	97,291	8,883	106,174
Total comprehensive income for the period	-	88	667	755	(112)	643
At 31 March 2022	<u>117,751</u>	<u>(1,151)</u>	<u>(18,554)</u>	<u>98,046</u>	<u>8,771</u>	<u>106,817</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Accounts for the year ended 31/12/2022. The document forms part of quarterly announcement for quarter ended 31/03/2023.

HEITECH PADU BERHAD
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
PERIOD ENDED 31 MARCH 2023

	Year ended 31 March 2023	Year ended 31 December 2022
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before tax	(3,168)	(9,322)
Adjustments for:		
Gain on disposal of property, plant and equipment	-	(238)
Hibah income	(100)	(616)
Finance costs	1,055	3,195
Finance costs on lease liabilities	117	711
Amortisation of intangible assets	286	1,032
Depreciation of property, plant and equipment	2,198	9,140
Depreciation of right-of-use assets	886	2,923
Reversal of impairment loss on trade receivables	-	(172)
Impairment loss on:		
- trade receivables	110	438
- other receivables	-	7
Share of results of associates	53	184
Operating cash flows before changes in working capital	1,437	7,282
<u>Changes in working capital</u>		
Inventories	3	59
Trade and other receivables	(11,164)	9,837
Contract assets	8,469	(22,275)
Contract costs assets	(2,094)	(3,815)
Prepayments	12	(64)
Contract liabilities	499	(3,473)
Trade and other payables	5,714	8,798
Cash flows generated from/(used in) operations	2,876	(3,651)
Profit paid	(1,055)	(1,391)
Income taxes paid	(301)	(762)
Net cash flows generated from/(used in) operating activities	1,520	(5,804)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,508)	(7,379)
Hibah received	100	616
Proceeds from disposal of property, plant and equipment	-	238
Software development costs incurred	(315)	(4,352)
Net cash flows used in investing activities	(2,723)	(10,877)
FINANCING ACTIVITIES		
Repayment of loans and borrowings	7,458	3,521
Repayment of obligations under finance leases	(436)	(32)
Deposit placed for security for bank facilities	(358)	24,262
Repayment of lease liabilities	(1,119)	(3,845)
Profit paid	-	(1,804)
Net cash flows generated from financing activities	5,545	22,102
NET INCREASE IN CASH & CASH EQUIVALENTS	4,342	5,421
Effect of exchange rate changes on cash and cash equivalents	(155)	(502)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	4,313	(606)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	8,500	4,313
CASH & CASH EQUIVALENTS COMPRISE:		
Cash at banks and on hand	30,197	21,226
Deposits with licensed banks	19,737	19,379
Bank overdrafts	(21,697)	(16,913)
Deposit pledged as securities for bank borrowings	(19,737)	(19,379)
	8,500	4,313

**UNAUDITED RESULTS FOR
THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

Notes to The Financial Statements

1. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134 Interim Financial Reporting, the International Accounting Standard ("IAS") 34 Interim Financial Reporting and the requirements of the Companies Act 2016 in Malaysia, where applicable. The interim financial statements have also been prepared in accordance with paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2022. The explanatory notes attached to the interim financial statements provide explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2022.

2. CHANGES IN ACCOUNTING POLICIES

Adoption of Amendments to Standards

The accounting standards adopted in the preparation of the interim financial statements are consistent with those adopted in the preparation of the Group's audited financial statements for the financial year ended 31 December 2022, except for the following which were adopted at the beginning of the current financial year. These pronouncements are either not relevant or do not have any material impact on the Group's financial statements for the current financial year.

- MFRS 17 Insurance Contracts and Amendments to MFRS 17
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - *Definition of Accounting Estimates*
- Amendments to MFRS 112 Income Taxes - *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Standards issued but not yet effective

As at the date of authorisation of the interim financial statements, the following Standards and amendments to Standards have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective to the Group's financial period.

Effective for financial periods beginning on or after 1 January 2024.

- Amendment to MFRS 16 Leases - *Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101 Presentation of Financial Statements - *Non-current Liabilities with Covenants*

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

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

The above pronouncements are either not relevant or do not have any material impact on the Group's financial statements.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2022 was unmodified.

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

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

6. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

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

7. DEBTS AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt and equity securities during the financial period under review.

8. DIVIDENDS PAID

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

9. VALUATION OF PROPERTY, PLANT & EQUIPMENT

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

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

10. CONTINGENT LIABILITIES

There were no contingent liabilities for the Group as at 23 May 2023 being the latest practicable date, which is not earlier than seven days from the date of issuance of this quarterly announcement.

11. CAPITAL COMMITMENT

The amount of commitments for purchase of property, plant & equipment not provided for in the financial statements for the period ended 31 March 2023 are as follows:

	RM'000
Approved and contracted for	<u>48</u>

12. CHANGES IN THE COMPOSITION OF THE GROUP

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

13. SEGMENTAL REPORTING

The Group segments are reported as the following core businesses.

1. Core 1

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

2. Core 2

Core 2 offerings ranges from various sectors focusing on products other than system integration. It represents various offerings in different sectors by the Group's subsidiaries. The offerings range from engineering works for energy sector, bulk mailing and outsourcing services, automotive/insurance claims platform services, mobile application, cooperative and smart council systems, simulation and training for various customers.

3. Core 3

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

For the period ended 31 March 2023	Core 1	Core 2	Core 3	Consolidation Adjustments	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE					
External	24,182	9,038	38,426	(100)	71,546
RESULT					
(Loss)/profit after tax	(2,415)	(1,584)	655	-	(3,344)
Non-controlling interests	-	(80)	-	-	(80)
(Loss)/profit attributable to equity holders of the Parent (PATAMI)	(2,415)	(1,504)	655	-	(3,264)
For the period ended 31 March 2022	Core 1	Core 2	Core 3	Consolidation Adjustments	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE					
External	29,414	6,166	43,139	(119)	78,600
RESULT					
Profit/(loss) after tax	108	(2,136)	2,583	-	555
Non-controlling interests	-	(112)	-	-	(112)
Profit/(loss) attributable to equity holders of the Parent (PATAMI)	108	(2,024)	2,583	-	667

14. REVIEW OF PERFORMANCE

The Group recorded lower revenue of RM71,546,000 for the period ended 31 March 2023, a decrease by RM7,054,000 from a revenue of RM78,600,000 for the period ended 31 March 2022.

Lower revenue and lower margin have resulted in the Group recording loss before taxation and loss after taxation of RM3,168,000 and RM3,344,000 respectively for the period ended 31 March 2023, compared to profit before taxation and profit after taxation of RM610,000 and RM555,000 respectively for the period ended 31 March 2022.

15. COMPARISONS WITH PRECEDING QUARTER'S RESULTS

The Group recorded lower revenue at RM71,546,000 for the current quarter ended 31 March 2023 as compared to RM74,265,000 in the preceding quarter ended 31 December 2022.

However, the Group recorded lower loss before taxation of RM3,168,000 and loss after taxation RM3,344,000 for the quarter ended 31 March 2023, compared to loss before taxation of RM6,207,000 and loss after taxation of RM6,569,000 for the quarter ended 31 December 2022.

16. COMMENTARY ON PROSPECTS

The Group's business environment is expected to remain challenging in 2023. According to Bank Negara Malaysia, the Malaysian economy in 2023 is expected to expand at a more moderate pace amid a challenging external environment while inflation is expected to moderate but remain elevated amid lingering cost and demand pressures. Tighter financial conditions, re-escalation of geopolitical conflicts, supply chain disruptions and inflation will affect the Group's expenses in the near term. However, the Group is cautiously optimistic by continuing to implement relevant strategies to overcome the challenges. These include securing recurring business from existing customers while gaining new business from both existing and new markets.

17. VARIANCE ON FORECASTED PROFIT

Not applicable.

18. TAXATION

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

	Current Quarter 31/03/2023 RM'000	Accumulated Current Quarter 31/03/2023 RM'000
Current expenses on taxation	(176)	(176)

19. CORPORATE PROPOSAL

There was no corporate proposal announced that is not completed as at the reporting date.

20. GROUP BORROWINGS AND DEBT SECURITIES

As at 31 March 2023, the Group has the following borrowings which are denominated in Ringgit Malaysia from local financial institutions:-

Secured:	RM'000
<u>Short Term Borrowings</u>	
Hire purchase creditor due within 12 months	-
Other short term borrowings due within 12 months	109,603
	<u>109,603</u>
<u>Long Term Borrowings</u>	
Hire purchase creditor due after 12 months	-
Other long term borrowings due after 12 months	15,853
	<u>15,853</u>
Total	<u>125,456</u>

21. MATERIAL LITIGATION

a. Pertubuhan Keselamatan Sosial ("Plaintiff") vs HeiTech Padu Berhad ("Defendant")

On 28 February 2023, the Defendant received a Writ of Summons and Statement of Claim both dated 23 February 2023, filed by the Plaintiff at the High Court. Plaintiff is claiming that the Defendant in breach of the contract for services rendered to the Plaintiff in respect of the "Merekabentuk, Membangun, Membekal, Menghantar, Memasang, Mengintegrasikan, Menguji, Melatih, Deploy, Mentauliah Dan Waranti Bagi Sistem Aplikasi Scheme Management" (Designing, Developing, Supplying, Delivering, Installing, Integrating, Testing, Training, Deploying, Commissioning and Warranties for the Scheme Management Application System) ("Agreement").

The reliefs sought by Plaintiff in the action are as follows:

1. The sum of RM8,491,377.12 being payments previously made by the Plaintiff to the Defendant under the Agreement;
2. The sum of RM984,783.33 being the Liquidated Ascertained Damages ("LAD") imposed under the Agreement;
3. The sum of RM16,887,208.58 being loss of expenses for the existing system until August 2021;
4. Interest on all sums ordered to be paid by the Defendant to the Plaintiff at the rate of 5% per annum calculated from the date of judgement until the date of full settlement;
5. Costs; and
6. Such further relief and/or orders as the Honorable Court deems fit.

The Defendant in their Defence and Counterclaim seeks the following relief:-

1. The sum of RM6,615,157.61 for work done until the Plaintiff's unilateral termination on 25 June 2021;
2. The sum of RM6,539,141.39 being expectation loss as a result the said termination;
3. The sum of RM1,726,258.61 for the additional works done and supply of Hardware, Software and Services;
4. General damages to be assessed by this Honourable Court, where applicable;
5. Pre-judgment interest on all sum ordered to be paid by the Plaintiff to the Defendant at the rate of 5% per annum calculated from the date of termination of 25 June 2021 until the date of judgement;
6. Post-judgment interest on all sum ordered to be paid by the Plaintiff to the Defendant at the rate of 5% per annum calculated from the date of judgement until full settlement;
7. Costs; and
8. Any other reliefs that this Honourable Court deems fit and proper.

The hearing has been fixed for 7 August 2023.

21. MATERIAL LITIGATION (CONT'D.)

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

The Plaintiff is claiming against the Defendant for a purported outstanding payment of RM2,730,000 for services allegedly rendered by the Plaintiff to the customer. The full trial proceeded on the 21 November 2022 and 22 November 2022 respectively. On 28 March 2023, the High Court has dismissed the Plaintiff's claim. On 19 April 2023, the Plaintiff has filed a Notice of Appeal to the Court of Appeal.

22. PROPOSED DIVIDEND

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

23. LOSS PER SHARE

	Current Quarter 31/03/2023	Accumulated Current Quarter 31/03/2023
<u>a) Basic</u>		
Net loss attributable to ordinary equity holders of the parent company (RM'000)	(3,264)	(3,264)
Weighted average number of ordinary shares in issue ('000)	101,225	101,225
Basic loss per share (sen)	(3.22)	(3.22)
<u>b) Diluted</u>		

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

24. LOSS BEFORE TAX

Included in the loss before tax are the following items:

	Current Quarter 31/03/2023 RM'000	Accumulated Current Quarter 31/03/2023 RM'000
Interest income	(100)	(100)
Interest expense	1,172	1,172
Depreciation of property, plant and equipment	2,198	2,198
Amortisation of intangible assets	286	286
Impairment loss on :		
- Trade receivables	110	110
- Other receivables	-	-
Reversal of impairment loss on:		
- Trade receivables	-	-
- Other receivables	-	-

25. SIGNIFICANT EVENT

On 27 January 2023 the Company accepted and signed the Letter of Award from Ministry of Higher Education (“MOHE”), Malaysia for Perkhidmatan Sewaan Berpusat Peralatan ICT Secara Sewa Guna Di Lima (5) Buah Zon Untuk Kegunaan Kementerian Pengajian Tinggi Bagi Zon 1: Johor, Melaka Dan Negeri Sembilan (Centralized Rental Service of ICT Equipment for Use in Five (5) Zones for the Use of the Ministry of Higher Education for Zone 1: Johor, Melaka and Negeri Sembilan) commencing from 1 February 2023 till 31 May 2027. The Contract Value is RM38,581,048.32.

26. SUBSEQUENT EVENT

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

By Order of the Board

ZAINAL AMIR BIN AHMAD (LS0010080)
AMIR ZAHINI BIN SAHRIM (MAICSA 7034464)

Company Secretaries